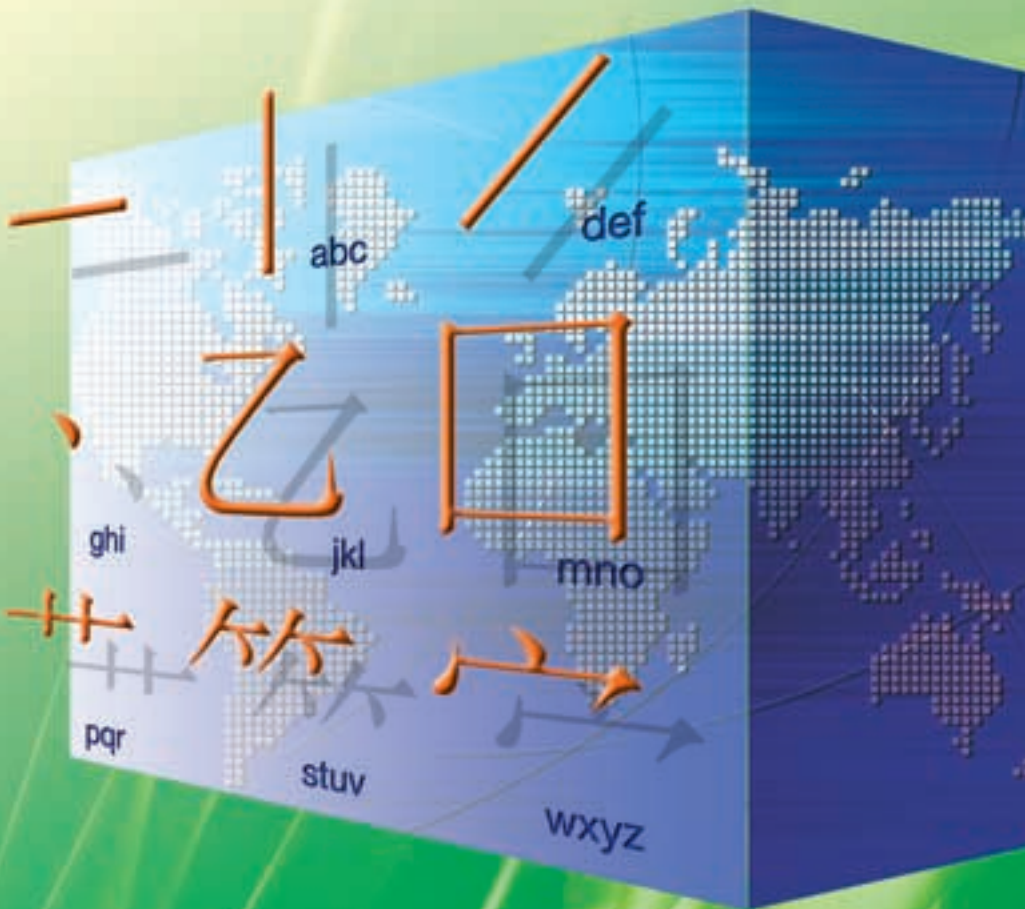




Q9 Technology Holdings Limited (九方科技控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8129)

Interim Report 2006



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

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The Stock 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 Q9 Technology 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 Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited 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.

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of HK\$1,722,000 for the six months ended 30 June 2006, representing a decrease of 36.0% from the corresponding period of last year.
- The Group recorded OEM licensing revenue of HK\$388,000 for the six months ended 30 June 2006, representing a decrease of 67.9% from the corresponding period of last year.
- Packaged software sales of HK\$1,247,000 for the six months ended 30 June 2006, representing a decrease of 8.2% from the corresponding period of previous year.
- The Group recorded loss attributable to equity holders of the Company for the six months ended 30 June 2006 of HK\$3,194,000 (first six months of 2005: loss attributable to equity holders of the Company of HK\$2,958,000).
- The Group's total operating expenses for the six months ended 30 June 2006 was reduced by 10.9% compared to first six months of 2005.

The unaudited consolidated results for the six months ended 30 June 2006 and the comparison with last year are set out in the accompanying table.

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Q9 Technology Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	839	1,302	1,722	2,690
Cost of sales		(62)	(82)	(142)	(172)
Gross profit		777	1,220	1,580	2,518
Other operating income	3	112	96	260	176
Selling and distribution expenses		(386)	(713)	(1,013)	(1,439)
Research and development expenses		(318)	(331)	(617)	(670)
General and administrative expenses		(1,813)	(1,814)	(3,404)	(3,543)
Loss before income tax	4	(1,628)	(1,542)	(3,194)	(2,958)
Income tax expense	5	—	—	—	—
Loss for the period		(1,628)	(1,542)	(3,194)	(2,958)
Loss per share	7				
- Basic		(HK0.13 cent)	(HK0.12 cent)	(HK0.26 cent)	(HK0.24 cent)
- Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2006 (Unaudited) Notes	As at 31 December 2005 (Audited)
		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		330	500
CURRENT ASSETS			
Inventories	8	102	186
Financial assets at fair value through profit or loss	9	—	9,906
Trade receivables	10	584	609
Prepayments, deposits and other receivables		598	927
Amount due from a related company		3	—
Cash and cash equivalents		14,576	7,272
		<u>15,863</u>	<u>18,900</u>
CURRENT LIABILITIES			
Trade payables	11	10	35
Other payables and accrued expenses		1,513	1,426
Amounts due to related companies		—	75
		<u>1,523</u>	<u>1,536</u>
Net current assets		<u>14,340</u>	<u>17,364</u>
Total assets less current liabilities		<u>14,670</u>	<u>17,864</u>
EQUITY			
Share capital		12,464	12,464
Reserves		2,206	5,400
Total equity		<u>14,670</u>	<u>17,864</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2006

	Share capital	Share premium	Capital redemption reserve	Warrants reserve	Reorganisation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	12,464	87,601	37	6,250	3,000	(84,128)	25,224
Loss for the period	—	—	—	—	—	(2,958)	(2,958)
At 30 June 2005	<u>12,464</u>	<u>87,601</u>	<u>37</u>	<u>6,250</u>	<u>3,000</u>	<u>(87,086)</u>	<u>22,266</u>
At 1 January 2006	12,464	87,601	37	6,250	3,000	(91,488)	17,864
Loss for the period	—	—	—	—	—	(3,194)	(3,194)
At 30 June 2006	<u>12,464</u>	<u>87,601*</u>	<u>37*</u>	<u>6,250*</u>	<u>3,000*</u>	<u>(94,682)*</u>	<u>14,670</u>

* As at 30 June 2006, the aggregated amount of the above balances of HK\$2,206,000 (As at 31 December 2005: HK\$5,400,000) in surplus represented the reserves in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Net cash generated from/(used in) operating activities	7,149	(2,152)
Net cash generated from investing activities	<u>155</u>	<u>312</u>
Increase/(decrease) in cash and cash equivalents	7,304	(1,840)
Cash and cash equivalents at 1 January	<u>7,272</u>	<u>22,040</u>
Cash and cash equivalents at 30 June	<u><u>14,576</u></u>	<u><u>20,200</u></u>

Notes:

1 Basis of presentation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”), the applicable requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for revaluation of financial assets at fair value through profit or loss. The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2005.

The Group has adopted the following new or revised standards which are effective for the accounting periods commencing on or after 1 January 2006. The adoption of such standards did not have material effect on these interim financial statements.

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option

The Group has not early adopted the following standards that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives

2 Revenue and segment information

The Group is principally engaged in software and embedded systems development. Revenue, which is also the Group's turnover recognised during the relevant periods are as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue				
Sale of goods	690	672	1,334	1,482
Licensing income	149	630	388	1,208
	<u>839</u>	<u>1,302</u>	<u>1,722</u>	<u>2,690</u>

In accordance with the Group's internal financial reporting, the Group has determined that business segment is presented as the primary reporting format and geographic segment as the secondary reporting format.

No business segment analysis is provided as sales and licensing of software and embedded systems is the Group's only business segment.

Geographical segment analysis is as follows:

	Segment revenue (Unaudited)		Segment results (Unaudited)	
	For the six months ended 30 June		For the six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,601	2,668	(2,660)	(2,283)
Mainland China	121	22	(196)	(298)
Unallocated costs	—	—	(338)	(377)
	<u>1,722</u>	<u>2,690</u>	<u>(3,194)</u>	<u>(2,958)</u>

	Segment assets (Unaudited)		Capital expenditures (Unaudited)	
	As at 30 June	(Audited) As at 31 December	For the six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	14,047	6,840	32	10
Mainland China	2,146	2,357	—	—
Taiwan	—	297	—	—
Unallocated assets	—	9,906	—	—
	<u>16,193</u>	<u>19,400</u>	<u>32</u>	<u>10</u>

Sales are based on the country in which the Group's customers are located and segment assets and capital expenditure are where the assets are located.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude short term investment and financial assets at fair value through profit or loss.

Capital expenditure comprises additions to property, plant and equipment.

3 Other operating income

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	74	96	187	176
Sundry income	38	—	73	—
	<u>112</u>	<u>96</u>	<u>260</u>	<u>176</u>

4 Loss before income tax

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):				
Depreciation	101	121	202	264
Fair value loss/(gain) on financial assets at fair value through profit or loss	71	(17)	54	14
	<u>71</u>	<u>(17)</u>	<u>54</u>	<u>14</u>

5 Income tax expense

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

During the six months ended 30 June 2006, provision for the profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions (six months ended 30 June 2005: Nil).

At 30 June 2006, the Group has net deferred tax assets mainly arising from tax losses of approximately HK\$68,600,000 (As at 31 December 2005: HK\$66,600,000). However, the net deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the accumulated tax losses. Under the current tax legislation, the tax losses can be carried forward indefinitely.

6 Interim dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

7 Loss per share

The calculation of the basic loss per share is based on the Group's unaudited consolidated loss attributable to equity holders of the Company for the three months and six months ended 30 June 2006 of HK\$1,628,000 and HK\$3,194,000 respectively (three months and six months ended 30 June 2005: HK\$1,542,000 and HK\$2,958,000 respectively) and on 1,246,350,000 (three months and six months ended 30 June 2005: 1,246,350,000) ordinary shares of the Company in issue during the periods.

No diluted loss per share is presented as the exercise of the subscription rights attached to the share options would not have a dilutive effect on the loss per share.

8 Inventories

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Merchandise	35	55
Finished goods	67	131
	<u>102</u>	<u>186</u>

9 Financial assets at fair value through profit or loss

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Listed equity securities in Hong Kong	—	177
Certificate of deposits	—	9,729
	<u>—</u>	<u>9,906</u>
Market value of listed equity securities	<u>—</u>	<u>177</u>
The carrying amounts of the above financial assets are classified as follows:		
Held for trading	—	177
Designated as fair value through profit or loss on initial recognition	—	9,729
	<u>—</u>	<u>9,906</u>

10 Trade receivables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Trade receivables	2,862	2,887
Less: provision for impairment of receivables	(2,278)	(2,278)
Trade receivables - net	<u>584</u>	<u>609</u>

The Group allows an average credit term of 30 days to its trade customers. The ageing analysis of the net trade receivables was as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current	300	240
31-90 days	24	72
91-180 days	42	—
Over 180 days	218	297
	<u>584</u>	<u>609</u>

11 Trade payables

The ageing analysis of the trade payables was as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current	1	23
31-90 days	9	11
91-180 days	—	1
	<u>10</u>	<u>35</u>

12 Commitments

(a) Capital commitments

The Group had no significant capital commitments as at 30 June 2006 (As at 31 December 2005: Nil).

(b) Commitments under operating leases

As at 30 June 2006, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings of the Group were payable as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	706	746
In the second to the fifth year	88	—
	<u>794</u>	<u>746</u>

(c) Other commitments

As at 30 June 2006, the Group had no other commitment (As at 31 December 2005: Nil)

13 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, were as follows:

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Office and warehouse rental expenses					
- Culturecom Centre Limited (warehouse)	(i)	22	22	45	45
- Tilpifa Company Limited	(i)	119	110	238	219
		<u>141</u>	<u>132</u>	<u>283</u>	<u>264</u>
Building management fees					
- Prosperity Land Estate Management Limited	(ii)	39	39	79	79
Company secretarial fees					
- Asia Orient Company Limited	(ii)	30	24	54	48
		<u>30</u>	<u>24</u>	<u>54</u>	<u>48</u>

Notes:

- (i) Office and warehouse rental agreements were entered into with Tilpifa Company Limited and Culturecom Centre Limited, an associated company and a subsidiary of Asia Orient Holdings Limited and Culturecom Holdings Limited respectively, substantial shareholders of the Company, with rental charged at fixed monthly fees.
- (ii) Building management and company secretarial fees were paid to Prosperity Land Estate Management Limited and Asia Orient Company Limited, subsidiaries of Asia Orient Holdings Limited, a substantial shareholder of the Company, and were charged at a fixed monthly rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group has no interest bearing debt and has no change in share capital. The Group relies on the internal resources, the net proceeds from its IPO and the subsequent issue of warrants as sources of funding. The Group keeps most of its cash in Hong Kong dollars as short term fixed deposit at banks, and balances of cash are kept in bank accounts as working capital of the Group.

The Group kept a minimum amount of cash as working capital in a bank account of its subsidiary in China in Renminbi and the balance in Hong Kong dollars.

The Group has no credit facilities and no borrowing outstanding as at 30 June 2006 (As at 30 June 2005: Nil).

There is no charge on the Group's assets as at 30 June 2006 (As at 30 June 2005: Nil).

The Group has no debt as at 30 June 2006 (As at 30 June 2005: Nil).

The gearing ratio of the Group, based on total debt to total equity, was nil as at 30 June 2006 (As at 30 June 2005: Nil).

Order book

Due to the nature of the Group's business, the Group does not maintain an order book.

Investment

Since 31 December 2005, there is no other significant investment held by the Group.

Acquisition, disposal of subsidiary and affiliated companies

The Group disposed of its associate during the period ended 30 June 2005.

Name of associate	Disposal consideration HK\$	% Equity interests held by the Group before disposal
Q9 Technology Corporation	1	42.5%

There were no material acquisition or disposal of subsidiaries and affiliated companies for the six months ended 30 June 2006.

Employee information

As at 30 June 2006, the Group employed 27 staff (As at 30 June 2005: 32). Total staff costs, including directors' emoluments were approximately HK\$2.7 million for the six months ended 30 June 2006 as compared with that of approximately HK\$3.2 million for the corresponding period of the preceding financial year.

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonuses and share options may be granted to eligible staff by reference to the Group's performance as well as the individuals' performance.

Future plans for material investments and capital assets

The Group does not have any present plan for material investments or acquisition of capital assets. The Group will focus its efforts on promoting existing products, Q9 CIS Chinese and English version, to OEM customers in the Greater China region. Accordingly, the business objective relating to the promotion of Q9 CIS into other markets, as stated in the Prospectus of the Group will be adjusted, and R&D expenditures for new products will also be significantly reduced.

Segmental information

Details of the segmental information have been set out in note 2 under notes to the unaudited interim financial statements and further elaborated under "Business Review and Prospects".

Hedging policy

The Group does not have any material exposure to fluctuations in exchange or interest rates. Therefore, no hedging measures have been taken at present.

Contingent liabilities

The Group does not have any contingent liabilities as at 30 June 2006 (As at 30 June 2005: Nil).

BUSINESS REVIEW AND PROSPECTS

The consolidated revenue of the Company and its subsidiaries for the six months ended 30 June 2006 amounted to HK\$1,722,000, representing a decrease of 36.0% from the corresponding period of last year. Loss attributable to equity holders of the Company for the six months ended 30 June 2006 amounted to HK\$3,194,000 compared to loss attributable to equity holders of the Company of HK\$2,958,000 for the corresponding period of last year. The loss per share for the six months ended 30 June 2006 was HK0.26 cent (Six months ended 30 June 2005: loss per share of HK0.24 cent).

The Group's total operating expenses for the six months ended 30 June 2006 was reduced by 10.9% compared to the corresponding period of last year.

The OEM licensing revenue for the six months ended 30 June 2006 amounted to HK\$388,000 representing a decrease of 67.9% from the corresponding period of last year.

Packaged software sales of HK\$1,247,000 for the six months ended 30 June 2006, representing a decrease of 8.2% from the corresponding period of previous year.

Due to the unfavorable market trend in the OEM licensing business and the packaged software business, management will continue to identify opportunities to diversify the products and services offered by the Group in 2006.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(i) LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Director	Number of shares held				Total	Approximate percentage of holding
	Personal interests	Family interests	Corporate interests (Note)	Other interests		
Leung Lap Yan	Nil	Nil	283,390,000	Nil	283,390,000	22.73%

Note: The shares are held by Step Up Company Limited. Mr. Leung Lap Yan has a controlling interest (41.25%) in Step Up Company Limited and is deemed to have interest in all the shares held by Step Up Company Limited.

(ii) LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

(a) Pre-IPO Share Option Scheme and the First Post-IPO Share Option Scheme ("Old Share Option Schemes")

The Company adopted the Pre-IPO Share Option Scheme on 5 May 2001 which was terminated on 7 May 2001 and replaced on the same date by the first Post-IPO Share Option Scheme (the Pre-IPO Share Option Scheme and the first Post-IPO Share Option Scheme are together called the "Old Share Option Schemes"). The first Post-IPO Share Option Scheme was terminated on 30 April 2002 and replaced on the same date by a second Post-IPO Share Option Scheme (the "New Share Option Scheme") which remained in force as at 30 June 2006.

As at 30 June 2006, information on share options which had been granted to Directors under the Old Share Option Schemes were as follows:

Director	Date of grant	Number of share options outstanding as at			Option exercise period (Note 1)	Cancelled (Note 2)	Number of share options outstanding as at 30 June 2006
		1 January 2006	Exercise price				
Dr. Lim Yin Cheng	5/5/2001	84,480,000	HK\$0.36	5/5/2001 to 4/5/2011	(84,480,000)	Nil	
Mr. Leung Lap Yan	5/5/2001	71,720,000	HK\$0.36	5/5/2001 to 4/5/2011	(71,720,000)	Nil	
Mr. Leung Lap Fu Warren	5/5/2001	14,470,000	HK\$0.36	5/5/2001 to 4/5/2011	(14,470,000)	Nil	
Mr. Lau Man Kin	5/5/2001	13,390,000	HK\$0.36	5/5/2001 to 4/5/2011	(13,390,000)	Nil	
Mr. Tam Kam Biu William	5/5/2001	6,400,000	HK\$0.36	5/5/2001 to 4/5/2011	(6,400,000)	Nil	
Mr. Fung Siu To Clement	5/5/2001	2,560,000	HK\$0.36	5/5/2001 to 4/5/2011	(2,560,000)	Nil	
Mr. Kwan Kin Chung	5/5/2001	1,150,000	HK\$0.36	5/5/2001 to 4/5/2011	(1,150,000)	Nil	
Mr. Kwan Po Lam Phileas	18/5/2001	1,000,000	HK\$0.45	18/5/2001 to 17/5/2011	(1,000,000)	Nil	
Mr. Lun Pui Kan	5/5/2001	1,920,000	HK\$0.36	5/5/2001 to 4/5/2011	(1,920,000)	Nil	
Mr. Lun Pui Kan	18/5/2001	3,000,000	HK\$0.45	18/5/2001 to 17/5/2011	(3,000,000)	Nil	

Notes:

- 1 Option exercise period commenced from the date of grant, terminating ten years thereafter. The options may be exercised at any time within the option period provided that the options have been vested. As at 1 January 2006, all options have been vested.
- 2 The Shareholders have approved cancellation of all outstanding options granted under the Old Share Option Schemes at the Annual General Meeting held on 28 April 2006.
- 3 No option granted pursuant to the Old Share Option Schemes had been exercised or lapsed during the six months ended 30 June 2006.

(b) New Share Option Scheme

No option had been granted to the Directors or the chief executive under the New Share Option Scheme for the six months ended 30 June 2006.

Save as disclosed above, as at 30 June 2006, none of the Directors or the chief executive of the Company had any interest or short positions 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) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules. During the six months ended 30 June 2006, no debt securities had been issued by the Group.

SHARE OPTION SCHEMES

(a) OLD SHARE OPTION SCHEMES

As at 1 January 2006, options to subscribe for up to an aggregate of 218,500,000 shares of HK\$0.01 each at a subscription price ranging between HK\$0.36 and HK\$0.45 per share had been granted to certain Directors, employees and advisors under the Old Share Option Schemes. During the six months ended 30 June 2006, no options has been exercised or lapsed and all outstanding options has been cancelled.

Grantee	Date of grant	Exercise price	Exercise period (Note 1)	Number of share options		
				outstanding as at 1 January 2006	Cancelled (Note 2)	
				Number of share options outstanding as at 30 June 2006		
Directors	5/5/2001	HK\$0.36	5/5/2001 to 4/5/2011	169,590,000	(169,590,000)	—
Directors	5/5/2001	HK\$0.36	5/5/2001 to 4/5/2011	26,500,000	(26,500,000)	—
Directors	18/5/2001	HK\$0.45	18/5/2001 to 17/5/2011	4,000,000	(4,000,000)	—
Employees	5/5/2001	HK\$0.36	5/5/2001 to 4/5/2011	5,130,000	(5,130,000)	—
Employee	18/5/2001	HK\$0.45	18/5/2001 to 17/5/2011	720,000	(720,000)	—
Advisors	5/5/2001	HK\$0.36	11/10/2001 to 10/10/2011	12,560,000	(12,560,000)	—
				218,500,000	(218,500,000)	—
				218,500,000	(218,500,000)	—

Notes:

- The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 1 January 2006, all options have been vested.
- The shareholders have approved cancellation of all outstanding options granted under the Old Share Option Schemes at the Annual General Meeting held on 28 April 2006.

Details of options granted to Directors under the Old Share Option Schemes are set out in the sub-section headed "Long Position in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

(b) NEW SHARE OPTION SCHEME

As at 1 January 2006, options to subscribe up to an aggregate of 10,000,000 shares of HK\$0.01 each at a subscription price of HK\$0.042 per share had been granted to certain advisors under the New Share Option Scheme. During the six months ended 30 June 2006, no option was exercised, lapsed or cancelled.

Grantee	Date of grant	Exercise price	Exercise period	Number of share options outstanding as at 1 January 2006	Number of share options outstanding as at 30 June 2006
Advisors	10/7/2003	HK\$0.042	10/7/2003 to 9/7/2013	10,000,000	10,000,000

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executives) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions in shares of the Company

Name of shareholder	Number of shares	Approximate percentage holding
Mega Fusion Limited	400,000,000	32.09%
Asia Orient Holdings Limited (Note (i))	400,200,000	32.10%
Mr. Poon Jing (Note (ii))	400,200,000	32.10%
Step Up Company Limited (Note (iii))	283,390,000	22.73%
Winway H.K. Investments Limited	300,635,000	24.12%
Culturecom Holdings Limited (Note (iv))	300,635,000	24.12%

Notes:

- (i) Mega Fusion Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited, which is, in turn, a wholly-owned subsidiary of Asia Orient Holdings Limited. Asia Orient Holdings (BVI) Limited and Asia Orient Holdings Limited is deemed to be interested in 400,200,000 shares through its controlling interest (100%) in Mega Fusion Limited and in Asia Orient Company Limited.
- (ii) Mr. Poon Jing is deemed to be interested in 400,200,000 shares through his controlling interest (30.14%) in Asia Orient Holdings Limited.
- (iii) Mr. Leung Lap Yan is deemed to be interested in 283,390,000 shares through his controlling interest (41.25%) in Step Up Company Limited.
- (iv) Winway H.K. Investments Limited is a wholly-owned subsidiary of Culturecom Investments Limited, which is, in turn, a wholly-owned subsidiary of Culturecom Holding (BVI) Limited. Culturecom Holding (BVI) Limited is a wholly-owned subsidiary of Culturecom Holdings Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 300,635,000 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 30 June 2006, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Woo Wei Chun, Joseph, has resigned as independent non-executive director of the Company with effect 26 June 2006 due to his personal reasons. Following the resignation of Mr. Woo, the total number of independent non-executive directors falls below the minimum number required under Rule 5.05(1) and (2) of the GEM Listing Rules. The Company will use its best endeavours to identify a suitable candidate to fill the remaining vacancy within the period stipulated under Rule 5.06 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during six months ended 30 June 2006. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

Save and except as mentioned under the headings of 'Independent Non-Executive Directors' and 'Audit Committee', the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2006 under review.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for securities transactions by Directors of the Company ("Code for Director's Dealings"). The Company has made specific enquiry with Directors and all Directors have complied with the requirements set out in the Code for Director's Dealing for the six months ended 30 June 2006 under review.

AUDIT COMMITTEE

As at 30 June 2006, the audit committee comprises two independent non-executive directors, namely Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus. None of these two members has appropriate accounting or financial management expertise as required by the GEM Listing Rules. The Company will use its best endeavours to nominate a candidate with appropriate professional qualifications or accounting or related financial management expertise to the audit committee.

The terms of reference of the audit committee have been established with regard to Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The audit committee has reviewed with the management this unaudited half-yearly report.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 11 August 2006.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 11 August, 2006

As of the date of this report, the Board of the Company comprises Mr. Leung Lap Yan, Mr. Leung Lap Fu Warren, Mr. Lau Man Kin, Mr. Tam Kam Biu William, Dr. Lim Yin Cheng, Mr. Fung Siu To Clement, Mr. Lun Pui Kan, Mr. Kwan Po Lam Phileas, Mr. Wan Xiaolin and Mr. Kwan Kin Chung as Executive Directors, Mr. Ip Chi Wai and Mr. Tse Wang Cheung Angus as Independent Non-Executive Directors.