



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)

**QUARTERLY RESULTS REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

* *For identification purpose only*

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 nine months ended 30 September 2006 increased by 22.84% to RMB 25,387,000 (2005: RMB 20,666,000).
- Profit attributable to shareholders of the Company for the nine months ended 30 September 2006 increased by 90.93% to RMB 6,461,000 (2005: RMB 3,384,000).
- Basic earnings per share was RMB 3.07 cents.

THE THIRD QUARTERLY 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 nine months and three months ended 30 September 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Nine Months Ended 30 September		Three Months Ended 30 September	
		2006	2005	2006	2005
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	25,387	20,666	8,643	6,944
Cost of sales		(6,632)	(6,139)	(2,305)	(2,043)
Gross Profit		18,755	14,527	6,338	4,901
Other revenue	4	4,525	4,164	1,235	1,376
Distribution costs		(7,393)	(5,022)	(2,907)	(1,718)
Administrative expenses		(12,286)	(11,313)	(3,879)	(3,645)
Other operating expenses		—	(1)	—	—
Share of profit/(loss) of an associate		7	(91)	(132)	(5)
Other gains and losses	5	5,099	2,545	5,497	510
Profit before taxation		8,707	4,809	6,152	1,419
Taxation	6	(2,246)	(1,428)	(1,599)	(250)
Profit for the period		6,461	3,381	4,553	1,169
Attributable to:					
Equity holders of the parent		6,461	3,384	4,553	1,170
Minority interests		—	(3)	—	(1)
		6,461	3,381	4,553	1,169
Dividends	7	—	—	—	—
Basic earnings per share (RMB cents)	8	3.07	1.61	2.16	0.56

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited At 30 September 2006 <i>RMB'000</i>	Audited At 31 December 2005 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	36,009	1,339
Investment property	—	7,764
Interest in an associate	210	207
	36,219	9,310
Current assets		
Inventories	20	29
Trade and other receivables	7,373	2,709
Investments held for trading	2,923	3,682
Cash and cash equivalents	47,800	70,504
	58,116	76,924
Current liabilities		
Trade and other payables	16,947	16,993
Taxation	2,259	780
	19,206	17,773
Net current assets	38,910	59,151
Non-current liabilities		
Deferred revenue	823	403
Net assets	74,306	68,058
Equity		
Share capital	22,420	22,420
Reserves	51,861	45,611
Equity attributable to equity holders of the parent	74,281	68,031
Minority interests	25	27
Total equity	74,306	68,058

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Exchange reserve	General reserve	Accu- mulated losses	Merger reserve	Attributable to equity holders of the parent	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	—	—	(276)	—	—	—	(276)	—	(276)
Net profit for the period	—	—	—	—	3,384	—	3,384	(3)	3,381
At 30 September 2005	<u>22,420</u>	<u>33,124</u>	<u>(83)</u>	<u>6,690</u>	<u>(17,532)</u>	<u>23,765</u>	<u>68,384</u>	<u>30</u>	<u>68,414</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	—	—	(211)	—	—	—	(211)	(2)	(213)
Net profit for the period	—	—	—	—	6,461	—	6,461	—	6,461
At 30 September 2006	<u>22,420</u>	<u>33,124</u>	<u>(236)</u>	<u>6,947</u>	<u>(11,739)</u>	<u>23,765</u>	<u>74,281</u>	<u>25</u>	<u>74,306</u>

1. BASIS OF PREPARATION

The Group's unaudited third quarterly 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") and the Hong Kong Financial Reporting Standards ("HKFRS"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these third quarterly 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 activities 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			
	Nine Months Ended 30 September		Three Months Ended 30 September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Maintenance service fees	21,262	19,267	7,215	6,338
Sale of computer software	1,560	925	797	321
Others	2,565	474	631	285
	<u>25,387</u>	<u>20,666</u>	<u>8,643</u>	<u>6,944</u>

Net rental income from investment property of RMB521,000 for the nine months ended 30 September 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 September 2005 and 2006 were located in the PRC.

4. OTHER REVENUE

	Unaudited			
	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Value added tax refund	3,239	2,717	951	934
Interest income	834	918	186	262
Net rental income from investment property	444	521	96	173
Miscellaneous	8	8	2	7
	<u>4,525</u>	<u>4,164</u>	<u>1,235</u>	<u>1,376</u>

5. OTHER GAINS AND LOSSES

	Unaudited			
	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value (loss)/gain on investments held for trading	(759)	(704)	37	510
Gain on disposal of assets held for sale	350	—	(2)	—
Gain on disposal of investment property	5,460	—	5,460	—
Gain on disposal of property, plant and equipment	48	—	2	—
Gain on disposal of investments held for trading	—	3,208	—	—
Write back of other payables	—	41	—	—
	<u>5,099</u>	<u>2,545</u>	<u>5,497</u>	<u>510</u>

6. TAXATION

	Unaudited			
	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	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>2,246</u>	<u>1,428</u>	<u>1,599</u>	<u>250</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.

7. DIVIDENDS

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

8. BASIC EARNINGS PER SHARE

	Unaudited			
	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2006	2005	2006	2005
Earnings per share (RMB cents)	<u>3.07</u>	<u>1.61</u>	<u>2.16</u>	<u>0.56</u>

The calculation of basic earnings per share for the nine months and three months ended 30 September 2006 is based on the profit attributable to equity holders of the parent of RMB 6,461,000 and RMB 4,553,000 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 nine months and three months ended 30 September 2005 is based on the profit attributable to equity holders of the parent of RMB 3,384,000 and RMB 1,170,000 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 nine months ended 30 September 2006 and 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2006, the Group reported a turnover of RMB25,387,000 representing an increase of 22.84%, as compared with RMB20,666,000 for the same period of the previous year. The increase of turnover was mainly because that: Since the year of 2006, Chinese stock market has stepped out of the several years' downturn and the composite index in Shanghai Stock Exchange is rising continuously. The Group has recorded RMB19,304,000 as the income from the network version used in the real-time transaction in securities brokerage houses, the traditional edges of the Group; RMB 814,000 as the sales income of "Qianlong Internet Network Version", RMB 1,010,000 as the sales income of Qianlong College Finance Education System; and RMB1,519,000 as the sales income of Qianlong Gang Gu Tong. At the same time, since October 2005, in order to solve the circulation of the equity in the listed companies, Chinese securities market has changed the original non-circulating equity (state shares and legal shares) to the transaction market. The Group has used the platform of Qianlong Securities Analysis Software to provide the information disclosure services for the listed companies who are making the equity reform and charge them the information services fees. For the nine months ended 30 September 2006, the Group has recorded RMB 2,391,000 as the information services fees.

The Group recorded a profit attributable to equity holders of the parent of RMB 6,461,000 for the nine months ended 30 September 2006, whereas a profit attributable to equity holders of the parent of RMB 3,384,000 was recorded for the same period in the previous year. The profit attributable to equity holders of the parent for the nine months ended 30 September 2006 has been increased by RMB 3,077,000 because that:

1. For the nine months ended 30 September 2006, the turnover of the Group has been increased by RMB 4,721,000 as compared with that of the corresponding period in the previous year.
2. For the nine months ended 30 September 2006, the Group disposed of its investment property in PRC and recorded a gain of RMB5,460,000.

PRODUCT DEVELOPMENT

The Group is developing stably and quickly on both traditional edge-network version and new product market at the same time to continuously keep the market advantages.

Among them, the College Finance Education Products have already ascended to the top products list and tens of varied colleges and universities are using our products now. At the same time, the Group also develops the foreign exchange and futures version. The banking simulation education system with larger market is also been developing successfully. The College Finance Education Product is now a wholly owned intellectual property and full series of simulation education system covering the whole finance field.

As to the information service, the Group will launch the product continuously to provide management services to the investors for listed companies. The series of web pages named “Window of Listed Company” will be completed soon. After the successful launch, the customers we serviced will get more effective news and the users will further confirm the new media value of Qianlong’s integrated platform.

The internet network version used in the online transaction has been reformed for several times and the performance is tending to being perfect. The varied technical index has occupied the leading position completely. Tens of famous securities houses are using this version and the number of registered users is near 700 thousands, the largest scale in the industry. The continuous upgrade and reform have improved the information disclosure speed of the system, enhanced the customers’ loyalty and the users are keeping increasing.

As a data service product, Qianlong Gang Gu Tong (「港股通」) is keeping the preferable increase. In order to exploit the value of high end users, the Group has launched the latest professional version and started the promotion activities. The number of end users will increase greatly on the current basis in this year.

As to the traditional edge-network version, a lot of new detailed products have been launched including quick warrants software, Double Dragon standbys, etc. and the distribution of the products has also achieved success. On the other hand, our product for no-disk system on the basis of LINBOX launched by Shanghai Securities Exchange is also in the leading position.

As to the consignment transaction system, the Group has a breakthrough in securities houses filed. Among them, Qianlong consignment products purchased by Shenyn & Wanguo and China Dragon Securities have already started their formal operation. Other securities houses such as Guotai Jun’an and China Investment Securities are in the process of trial launch or joint development. Once Qianlong consignment transaction products have achieved large market share, Qianlong’s leading position faced to securities houses will be strengthened greatly.

As to the market system, Shanghai Securities Exchange has newly launched Level-2 market. This is a totally new paid information services facing the end users. Qianlong will get the related operation authorization soon and the related product is already prepared to be developed. The launch of this product will bring new profit increasing point to the Group.

Furthermore, the Group's wholly owned subsidiary Xin Long Information Technology Company Limited (「信龍信息科技有限公司」) has launched and developed the finance database products which has already showed some achievements. Among them, the server for the securities channel and funds channel developed for Pudong Development Bank is already in the consignment and the system is also in the trial operation. At the same time, the bank web product cooperated by Xin long and Qianlong has been confirmed by other main commercial banks and the Group has the potential to supply related products and services. As a main product of Xin Long, the sales achievements of Long Xun F10 are developing stably.

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

The Directors believe the Group's policy is effective and the Group's performance will continue to improve and the prospects for the Group are more positive and bright in 2006.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 140 as at 30 September 2005 to 188 as at 30 September 2006. The total cost for staff for the nine months ended 30 September 2006 is approximately RMB10,800,646, representing an increase of 14% as compared with RMB 9,466,197 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 nine months ended 30 September 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 September 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 September 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 September 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 nine months ended 30 September 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 September 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 September 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 nine months ended 30 September 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 included 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.

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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

For the nine months ended 30 September 2006, 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 nine months ended 30 September 2006.

By order of the Board
Liao Chao Ping
Chairman

14 November 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.