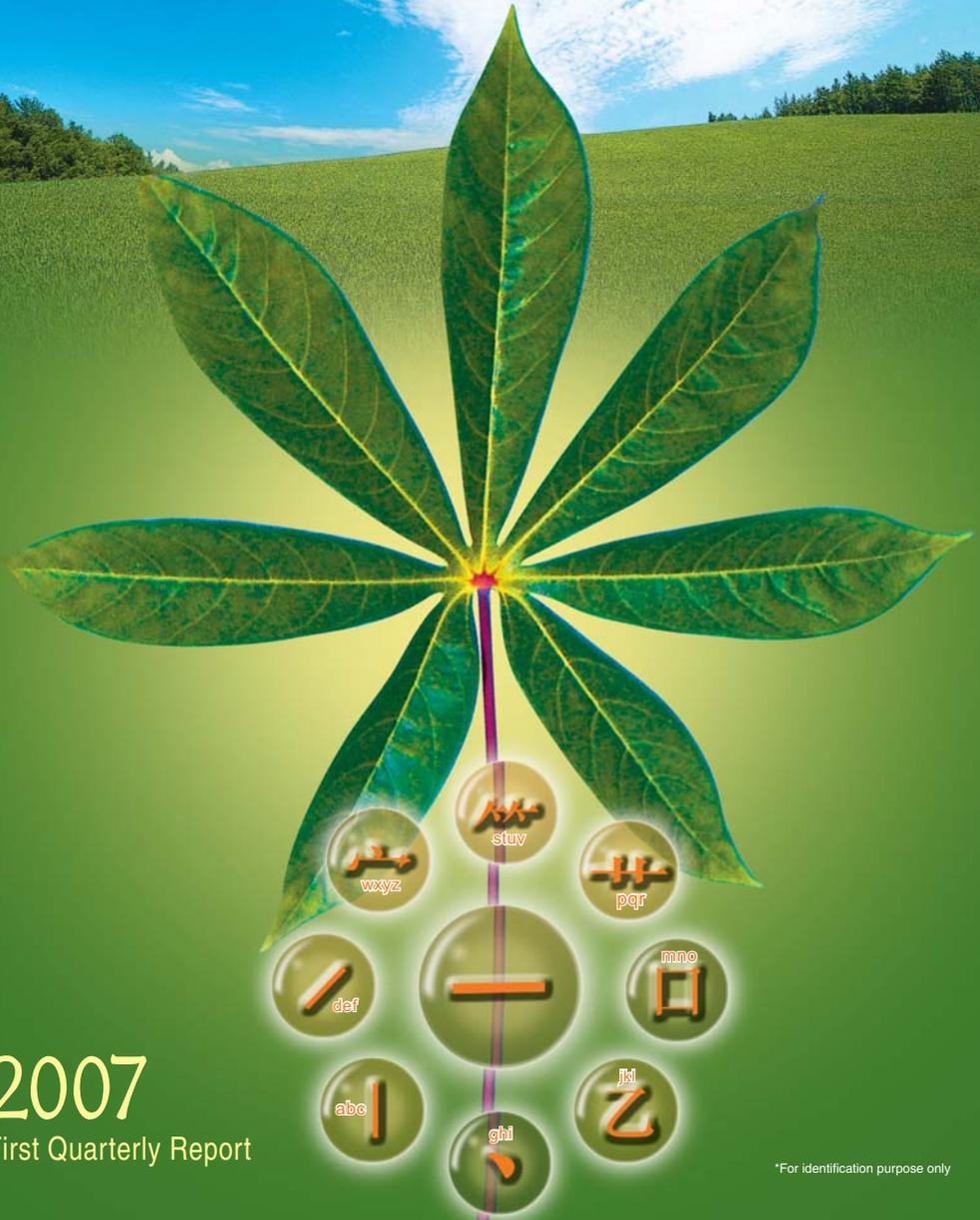




Q9 Technology Holdings Limited (九方科技控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(stock Code: 8129)



2007

First Quarterly Report

*For identification purpose only

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

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 of the Stock Exchange 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 Stock 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 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 turnover of HK\$1,502,000 for the three months ended 31 March 2007, representing an increase of 70.1% from the corresponding period of last year.
- The Group recorded OEM licensing revenue of HK\$53,000 for the three months ended 31 March 2007, representing a decrease of 77.7% from the corresponding period of last year.
- Packaged software sales of HK\$1,197,000 for the three months ended 31 March 2007, representing an increase of 101.6% from the corresponding period of previous year.
- The Group recorded a net loss attributable to shareholders for the three months ended 31 March 2007 of HK\$1,389,000 (first three months of 2006: net loss attributable to shareholders of HK\$1,566,000).
- The Group total operating expenses for the three months ended 31 March 2007 increased by 13.6% compared to first three months of 2006.

The unaudited consolidated results for the three months ended 31 March 2007 and the comparison with last year are set out in the accompanying table.



THREE MONTH 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 ended 31 March 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 31 March	
		2007 HK\$'000	2006 HK\$'000
Revenue	2	1,502	883
Cost of sales		(291)	(80)
Gross profit		1,211	803
Other revenue	3	260	148
Selling and distribution expenses		(1,124)	(627)
Research and development expenses		(292)	(299)
General and administrative expenses		(1,444)	(1,591)
Operating loss		(1,389)	(1,566)
Finance costs		—	—
Loss before income tax		(1,389)	(1,566)
Income tax expense	4	—	—
Loss for the three months ended 31 March 2007		(1,389)	(1,566)
Loss per share	6		
- Basic		(HK0.07 cent)	(HK0.13 cent)
- Diluted		(HK0.07 cent)	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2007

	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 2006	12,464	87,601	37	6,250	3,000	(91,488)	17,864
Loss for the three months ended 31 March 2006	—	—	—	—	—	(1,566)	(1,566)
At 31 March 2006	<u>12,464</u>	<u>87,601</u>	<u>37</u>	<u>6,250</u>	<u>3,000</u>	<u>(93,054)</u>	<u>16,298</u>
At 1 January 2007	18,695	104,596	37	6,250	3,000	(98,589)	33,989
Issuance of warrants issue	—	—	—	6,230	—	—	6,230
Warrants issue expenses	—	(994)	—	—	—	—	(994)
Exercise of warrants issue	183	1,665	—	(458)	—	—	1,390
Loss for the three months ended 31 March 2007	—	—	—	—	—	(1,389)	(1,389)
At 31 March 2007	<u>18,878</u>	<u>105,267</u>	<u>37</u>	<u>12,022</u>	<u>3,000</u>	<u>(99,978)</u>	<u>39,226</u>



Notes:

1 Basis of preparation

The Group's unaudited condensed consolidated results are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The accounting policies adopted in preparing the Group's unaudited condensed consolidated results for the three months ended 31 March 2007 and 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

2 Revenue and segment information

The Group is principally engaged in software and embedded systems development. Revenue of the Group is as follows:

	Unaudited Three months ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Turnover		
Sale of goods	1,449	644
Licensing income	53	239
	<u>1,502</u>	<u>883</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:-

	Unaudited Three months ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Hong Kong	1,492	766
PRC	10	117
	<u>1,502</u>	<u>883</u>

3 Other revenue

	Unaudited Three months ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Interest income	259	113
Sundry income	1	35
	<u>260</u>	<u>148</u>

4 Income tax expense

No Hong Kong profits tax has been provided as the companies within the Group either did not derive any assessable profits for current year or had tax losses brought forward from previous years to offset against the current year's assessable profit. No Hong Kong profits tax had been provided for three months ended 31 March 2007 as the companies within the Group did not derive any assessable profit. (three months ended 31 March 2006: Nil).

Provision for the profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries had not yet generated any assessable profits in the respective jurisdictions during the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

At 31 March 2007, the Group had deferred tax assets mainly arising from tax losses of approximately HK\$3,900,000 (31 December 2006: HK\$2,961,000). However, the deferred tax assets have not been recognised as it is uncertain whether sufficient 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.

5 Interim dividend

The Directors do not recommend the payment of interim dividend for the three months ended 31 March 2007 (three months ended 31 March 2006: Nil).

6 Loss per share

The calculation of the basic loss per share is based on the loss for the three months ended 31 March 2007 attributable to equity holders of the Company of HK\$1,389,000 (three months ended 31 March 2006: HK\$1,566,000) and on weighted average number of shares of 1,873,343,389 (three months ended 31 March 2006: 1,246,350,000) ordinary shares of the Company in issue during the periods.

The weighted average number of shares for the purposes of calculating basic loss per share for the three months ended 31 March 2007 has been adjusted to reflect the issuance of rights shares and exercise of warrants issue.

Diluted loss per share is calculated based on assuming that outstanding warrants of 230,900,000 be fully exercised into ordinary shares of the Company at 31 March 2007.



BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Company and its subsidiaries for the three months ended 31 March 2007 amounted to HK\$1,502,000, representing an increase of 70.1% from the corresponding period of last year. Loss attributable to shareholders for the three months ended 31 March 2007 amounted to HK\$1,389,000 compared to a loss of HK\$1,566,000 for the corresponding period of last year. The loss per share was HK0.07 cent (first three months of 2006: loss per share of HK0.13 cent).

The Group total operating expenses for the three months ended 31 March 2007 was increased by 13.6% compared to first three months of 2006, mainly due to increase in sales and marketing expenses.

The OEM licensing revenue for three months ended 31 March 2007 amounted to HK\$53,000 representing a decrease of 77.7% from the corresponding period of last year.

Packaged software sales of HK\$1,197,000 for the three months ended 31 March 2007, an increase of 101.6 % over the corresponding period of previous year.

The focus of the Group's efforts for the year 2007 will be to diversify its products and service offerings related to Biotech and Renewable Energy market to derive new sources of revenue, while continue its marketing effort in promoting Q9 CIS to OEM customers, and the end user markets. Management believes the Group has sufficient resources and ability to diversify its new business areas related to the Biotech and Renewable energy market, and derives new sources of revenue for the Group in the near future.

The Company intends to set aside HK\$10 million to develop new business models in line with the Group's strategy to diversify its products and service offerings, but as at the date of this report, the Board has not identified any new line of business for the Group.

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

As at 31 March 2007, the interests and short positions of each of the Directors and the chief executives 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 provision 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 1)	Other interests		
Leung Lap Yan	Nil	Nil	409,122,500	Nil	409,122,500	21.67%

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”) and Second Post-IPO Share Option Scheme (“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 “Share Option Scheme”) which remained in force as at 31 March 2007. No share option was outstanding under the Old Share Option Schemes as at 31 March 2007.

No option had been granted to the Directors or the chief executives under the Share Option Scheme for the three months ended 31 March 2007.

(b) New Share Option Scheme

The Company has adopted a new share option scheme (the “New Share Option Scheme”) and terminated the Share Option Scheme by shareholders’ resolution passed at its Annual General Meeting held on 27 April, 2007. No option had been granted to the Directors or the chief executives under the New Share Option Scheme.

Save as disclosed above, as at 31 March 2007, none of the Directors or the chief executives 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 three months ended 31 March 2007, no debt securities had been issued by the Group.

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

As at 31 March 2007, 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
Step Up Company Limited (Note (i))	409,122,500	21.67%
Winway H.K. Investments Limited	450,952,500	23.89%
Culturecom Holdings Limited (Note (ii))	450,952,500	23.89%

Notes:

- (i) Mr. Leung Lap Yan is deemed to be interested in 409,122,500 shares through his controlling interest (41.25%) in Step Up Company Limited.
- (ii) 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 Holding Limited. Each of Culturecom Investments Limited, Culturecom Holding (BVI) Limited and Culturecom Holdings Limited is deemed to be interested in 450,952,500 shares through its controlling interest (100%) in Winway H.K. Investments Limited.

Save as disclosed above, as at 31 March 2007, 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during three months ended 31 March 2007. Neither the Company nor any of its subsidiaries purchased or sold of the Company's listed securities during the three months ended 31 March 2007.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company are committed to maintain a high standard of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2007 under review, the Company has complied with the Code.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the 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 three months ended 31 March 2007 under review.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung, with terms of reference in compliance with code provision C.3.3 of the Code. Mr. Ip Chi Wai is the chairman of the audit committee.

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 management this unaudited first quarterly report.



APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 May 2007.

By order of the Board
Leung Lap Yan
Chairman

Hong Kong, 10 May 2007

As of the date of this report, the Board of the Company comprises Mr. Leung Lap Yan, Mr. Kwan Kin Chung, Mr. Tam Kam Biu William, Mr. Leung Lap Fu Warren and Mr. Wan Xiaolin as Executive Directors, Mr. Ip Chi Wai, Mr. Tse Wang Cheung Angus and Mr. Shiu Kwok Keung as Independent Non-Executive Directors.