



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

2007

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 2007 increased by 27.20% to RMB 21,313,000 (2006: RMB 16,744,000)
- Profit attributable to shareholders of the Company for the six months ended 30 June 2007 decreased by 27.40% to RMB 1,385,000 (2006: RMB 1,908,000)
- Basic earnings per share was RMB 0.66 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 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June		Three months ended 30 June	
	Note	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	3	21,313	16,744	10,836	8,418
Cost of sales		(6,502)	(4,327)	(4,069)	(2,343)
Gross Profit		14,811	12,417	6,767	6,075
Other revenue	5	2,507	3,290	1,076	1,985
Other gains and losses	6	(73)	(398)	355	(204)
Distribution costs		(6,418)	(4,486)	(2,468)	(2,264)
Administrative expenses		(9,244)	(8,407)	(4,330)	(4,227)
Other operating expenses		(21)	—	(1)	—
Operating profit		1,562	2,416	1,399	1,365
Share of results of associate		89	139	(1)	147
Profit before taxation	7	1,651	2,555	1,398	1,512
Income tax	8	(266)	(647)	(297)	(437)
Profit for the period		1,385	1,908	1,101	1,075
Attributable to:					
Equity holders of the Company		1,385	1,908	1,101	1,075
Minority interests		—	—	—	—
		1,385	1,908	1,101	1,075
Basic earnings per share (RMB cents)	9	0.66	0.91	0.53	0.51

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited At 30 June 2007	Audited At 31 December 2006
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	39,430	38,186
Interest in associate		296	213
Deferred tax assets		1,158	1,158
		<u>40,884</u>	<u>39,557</u>
Current assets			
Inventories		19	145
Trade and other receivables	12	8,283	3,452
Investments held for trading	13	3,072	3,145
Cash and cash equivalents		50,576	47,849
		<u>61,950</u>	<u>54,591</u>
Current liabilities			
Trade and other payables	14	25,153	18,565
Taxation		1,002	187
		<u>26,155</u>	<u>18,752</u>
Net current assets		<u>35,795</u>	<u>35,839</u>
Non-current liabilities			
Deferred revenue		1,432	1,372
Net assets		<u>75,247</u>	<u>74,024</u>
Equity			
Share capital		22,420	22,420
Reserves		52,802	51,578
Equity attributable to equity holders of the Company		75,222	73,998
Minority interests		25	26
Total equity		<u>75,247</u>	<u>74,024</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2007

	Share capital	Share premium	Exchange reserve	General reserve	Accu- mulated losses	Merger reserve	Attributable to equity holders of the Company	Minority interest	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 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 recognised 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>69,889</u>	<u>26</u>	<u>69,915</u>
At 1 January 2007	22,420	33,124	(216)	7,491	(12,586)	23,765	73,998	26	74,024
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	—	—	(161)	—	—	—	(161)	(1)	(162)
Net profit for the period	—	—	—	—	1,385	—	1,385	—	1,385
At 30 June 2007	<u>22,420</u>	<u>33,124</u>	<u>(377)</u>	<u>7,491</u>	<u>(11,201)</u>	<u>23,765</u>	<u>75,222</u>	<u>25</u>	<u>75,247</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(UNAUDITED)**

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	5,198	1,155
Net cash outflow from investing activities	<u>(2,471)</u>	<u>(283)</u>
Decrease in cash and cash equivalents	2,727	872
Cash and cash equivalents at 1 January	<u>47,849</u>	<u>70,504</u>
Cash and cash equivalents at 30 June	<u><u>50,576</u></u>	<u><u>71,376</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") 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 interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2006, except for the adoption of certain new and revised HKFRS as disclosed in note 2 below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRS for the first time for the current period's financial statements. The adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has not early adopted the following new HKFRSs, that have been issued but are not yet effective to these financial statements.

		Effective for annual periods Beginning on or after
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions	1 March 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER

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	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maintenance service fees	16,913	13,650	8,479	6,881
Sale of computer software	3,306	1,066	1,856	598
Information service fees	671	1,867	339	854
Others	423	161	162	85
	<u>21,313</u>	<u>16,744</u>	<u>10,836</u>	<u>8,418</u>

4. SEGMENT INFORMATION

(a) Business segment

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

(b) Geographical segment

All operating assets and operations of the Group during the six months ended 30 June 2007 and 2006 were located in the PRC. Accordingly, no geographical segment information is presented.

5. OTHER REVENUE

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax refund (Note)	2,279	2,288	989	1,329
Interest income	230	648	91	481
Net rental income from investment property	—	348	—	174
Sundries	(2)	6	(4)	1
	<u>2,507</u>	<u>3,290</u>	<u>1,076</u>	<u>1,985</u>

Note: A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax ("VAT") paid in excess of an effective rate of 3%. The amount of VAT refund is recognized as other revenue on an accrual basis.

6. OTHER GAINS AND LOSSES

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Net unrealised (loss)/gain on investments held for trading	(73)	(796)	355	(204)
Gain on disposal of assets classified as held for sale	—	352	—	—
Write back of other payables	—	46	—	—
	<u>(73)</u>	<u>(398)</u>	<u>355</u>	<u>(204)</u>

7. PROFIT BEFORE TAXATION

Profit before taxation stated after charging:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	<u>1,205</u>	<u>400</u>	<u>562</u>	<u>211</u>

8. INCOME TAX

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign enterprise income tax	<u>266</u>	<u>647</u>	<u>297</u>	<u>437</u>

No provision for Hong Kong profits tax has been made for the periods as the Group had no assessable profit subject to Hong Kong profits tax. The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes at the appropriate rate applicable to each period.

9. BASIC EARNINGS PER SHARE

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2007	2006	2007	2006
Earnings per share				
(RMB cents)	0.66	0.91	0.53	0.51

The calculation of basic earnings per share for the six months and three months ended 30 June 2007 is based on the profit attributable to equity holders of the Company of RMB 1,385,000 and RMB 1,101,000 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 six months and three months ended 30 June 2006 is based on the profit attributable to equity holders of the Company 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.

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 2007 and 2006.

10. DIVIDENDS

The Board does not recommend the payment of any dividends attributable to the six months ended 30 June 2007 and 2006.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improve- ments	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	34,592	2,868	4,068	525	435	42,488
Additions	—	1,151	1,145	153	—	2,449
Exchange adjustments	—	—	(15)	(5)	—	(20)
	<u>34,592</u>	<u>4,019</u>	<u>5,198</u>	<u>673</u>	<u>435</u>	<u>44,917</u>
Accumulated depreciation:						
At 1 January 2007	525	625	2,427	368	357	4,302
Charge for the period	775	127	235	34	34	1,205
Exchange adjustments	—	—	(15)	(5)	—	(20)
	<u>1,300</u>	<u>752</u>	<u>2,647</u>	<u>397</u>	<u>391</u>	<u>5,487</u>
Net book value:						
At 30 June 2007 (unaudited)	<u>33,292</u>	<u>3,267</u>	<u>2,551</u>	<u>276</u>	<u>44</u>	<u>39,430</u>
At 31 December 2006 (audited)	<u>34,067</u>	<u>2,243</u>	<u>1,641</u>	<u>157</u>	<u>78</u>	<u>38,186</u>

12. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
Trade receivables	4,706	1,503
Less: provision for impairment	<u>(152)</u>	<u>(152)</u>
Trade receivables-net	4,554	1,351
Other receivables	3,147	598
Deposits and prepayments	<u>582</u>	<u>1,503</u>
	<u><u>8,283</u></u>	<u><u>3,452</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 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
Current	1,274	412
1 month to 3 months overdue	1,264	682
More than 3 months but less than 12 months	1,850	249
More than 12 months	<u>166</u>	<u>8</u>
	<u><u>4,554</u></u>	<u><u>1,351</u></u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

13. INVESTMENTS HELD FOR TRADING

	Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
Unlisted equity securities-outside Hong Kong, at cost	7,434	7,434
Less: Impairment	<u>(4,362)</u>	<u>(4,289)</u>
	<u>3,072</u>	<u>3,145</u>

The above investments in securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

14. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
Trade payables	1,023	588
Receipt in advance	891	274
Other creditors and accruals	2,548	2,747
Deferred revenue	<u>20,691</u>	<u>14,956</u>
	<u>25,153</u>	<u>18,565</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.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

15. OPERATING LEASE ARRANGEMENTS

At 30 June 2007, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Unaudited 30 June 2007 <i>RMB'000</i>	Audited 31 December 2006 <i>RMB'000</i>
Within 1 year	315	1,093
In the second to fifth years inclusive	<u>53</u>	<u>141</u>
	<u>368</u>	<u>1,234</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 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2007:

The total income has reached RMB21,313,000, representing an increase of 27.20% and 3.40% as compared with the same period of previous year and the first quarter respectively.

RMB16,913,000 has been recorded as maintenance service fees, representing an increase of 23.90% and 0.50% as compared with the same period of previous year and the first quarter respectively. Maintenance service fees represent 79.30% of the turnover in the period.

RMB3,306,000 has been recorded as sale of computer software, representing an increase of 210.10% and 28.00% as compared with the same period of previous year and the first quarter respectively. Sale of computer software represents 15.50% of the turnover in the period.

The Group recorded a net profit attributable to shareholders of RMB 1,385,000, whereas a net profit attributable to shareholders of RMB 1,908,000 was recorded for the same period in 2006. The decrease in profit attributable to shareholders for the period was because of the following reasons: In other revenue, the rental income and interest income decreased by RMB766,000; The distribution cost increased by RMB1,932,000 as compared to the same period in previous year because the server's mandatory cost and operation cost have increased. The administrative expense has also increased by RMB837,000 as compared to the same period in previous year because the main operating office of the Group was moved to the new address and resulted in an increase in cost of RMB 1,097,000.

Basic earnings per share was RMB 0.66 cents.

At 30 June 2007, the Group's cash and cash equivalent is RMB 50,576,000.

BUSINESS REVIEW

For the six months ended 30 June 2007, the Group has recorded RMB 16,913,000 maintenance service fee, representing an increase of 23.90% and 0.50% as compared to the same period of last year and first quarter. The maintenance service fee represents 79.30% of the total turnover for the period. In this part, the income from Qianlong Gang Gu Tong is very obvious. For the six months ended 30 June 2007, the income for Qianlong Gang Gu Tong has recorded RMB3,228,000, representing an increase of 278.80% and 43.40% as compared to the same period of last year and first quarter respectively. The main reason is that the stock market in Chinese mainland has increased greatly since this first half year. Many shareholders think it has a large risk to invest in the stock market of Chinese mainland. Comparatively, Hong Kong's stock market has less risk and the government also has some favorable policy to encourage investors to do the foreign investment.

The income to sell computer software was RMB 3,306,000, representing an increase of 210.10% and 28.00% as compared to the same period of last year and first quarter. The income from sale of computer software represents 15.50% of the total turnover for the period. Network version has recorded RMB1,802,000 income, representing an increase of 352.70% and 86.90% as compared to the same period of last year and first quarter respectively. Internet network version has recorded RMB1,481,000 income, representing an increase of 140.80% as compared to the same period of last year. The increase is mainly because of the hot stock market in mainland, the rapidly increased shareholders and network capacity expanding of securities brokers.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group's funds used in operation and investment activities are generated from operation activities.

In the first half year of 2007, the Group's net cash inflow from operation activities was RMB 5,198,000, while RMB1,155,000 was recorded in the same period in previous year. The increase is mainly because the Group's income in the first half year has increased.

At 30 June 2007, the Group's cash and cash equivalents was RMB50,576,000, the total current assets was RMB61,950,000 and the total current liabilities was RMB26,155,000.

PRODUCT DEVELOPMENT

On enterprise users' market, the Group has strengthened the cooperation with securities brokers and completed the tailored products with many securities brokers such as Shenyin & Wanguo; The linux based solution used in securities markets has also been tried by some securities brokers.

The college finance education product has kept its increase and launched new simulation bank system. The production line has expanded and the competition edge is strengthened.

Network Version used for online transaction, client end software and server end software have also been optimized and the performances are also tending to be perfect. During hot information marketing period it has been the first choice of securities brokers to expand its system.

Gang Gu Tong and Level 2 have been the top 2 data service products. The number of users has increased stably. Other high value attached products further developed on Gang Gu Tong and Level 2 will bring the Company highly increased results.

On the financial data products side, F10 and database products have exploited the market. Except these, professional financial website on the base of database has developed and built, which are also formally used by some advanced commercial bank clients.

The successful launch of new products is building Qianlong a famous financial information product and service brand.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 185 as at 30 June 2006 to 228 as at 30 June 2007. 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. The total cost for staff for the six months ended 30 June 2007 is approximately RMB8,836,000, representing an increase of 15.60% as compared with the same period of the previous year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2007, 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 2007, 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 Stock Exchange pursuant to Rule 5.46 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	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 2007, 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, as at 30 June 2007, none of the Directors or chief executives of the Company had registered an interest 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 by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Pursuant to a written resolution passed 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 grant; (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.

Up to 30 June 2007, 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 2007 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 2007, 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 of short positions, 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 2007, 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 2007.

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 2007.

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 pursuant to the GEM Listing Rules. 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 primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to provide advice and comments to the Board.

The audit committee has already reviewed the Group's unaudited consolidated results for the six months ended 30 June 2007 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements.

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 2007, 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 2007, 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 six months ended 30 June 2007, 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 2007.

By order of the Board
Qianlong Technology International Holdings Limited
Liao Chao Ping
Chairman

14 August 2007

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.