



**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 2007**

\* *For identification purpose only*

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

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*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 2007 increased by 32.40% to RMB 33,634,000 (2006: RMB 25,387,000)
- Profit attributable to shareholders of the Company for the nine months ended 30 September 2007 decreased by 17.70% to RMB 5,315,000 (2006: RMB 6,461,000)
- Basic earnings per share was RMB 2.52 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 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Nine months ended 30 September		Three months ended 30 September	
		2007	2006	2007	2006
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	33,634	25,387	12,321	8,643
Cost of sales		(10,898)	(6,632)	(4,396)	(2,305)
Gross Profit		22,736	18,755	7,925	6,338
Other revenue	5	3,925	4,525	1,418	1,235
Other gains and losses	6	4,289	5,099	4,362	5,497
Distribution costs		(10,172)	(7,393)	(3,754)	(2,907)
Administrative expenses		(13,829)	(12,286)	(4,585)	(3,879)
Other operating expenses		(21)	—	—	—
Operating profit		6,928	8,700	5,366	6,284
Share of results of associate		87	7	(2)	(132)
Profit before taxation		7,015	8,707	5,364	6,152
Income tax	7	(1,700)	(2,246)	(1,434)	(1,599)
Profit for the period		5,315	6,461	3,930	4,553
Attributable to:					
Equity holders of the Company		5,315	6,461	3,930	4,553
Minority interests		—	—	—	—
		5,315	6,461	3,930	4,553
Basic earnings per share (RMB cents)	8	2.52	3.07	1.86	2.16

## CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited At 30 September 2007	Audited At 31 December 2006
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	39,445	38,186
Interest in associate	292	213
Deferred tax assets	—	1,158
	39,737	39,557
<b>Current assets</b>		
Inventories	21	145
Trade and other receivables	5,660	3,452
Investments held for trading	—	3,145
Cash and cash equivalents	63,286	47,849
	68,967	54,591
<b>Current liabilities</b>		
Trade and other payables	27,403	18,565
Taxation	1,078	187
	28,481	18,752
<b>Net current assets</b>	40,486	35,839
<b>Non-current liabilities</b>		
Deferred revenue	1,092	1,372
<b>Net assets</b>	79,131	74,024
<b>Equity</b>		
Share capital	22,420	22,420
Reserves	56,687	51,578
Equity attributable to equity holders of the Company	79,107	73,998
Minority interests	24	26
<b>Total equity</b>	79,131	74,024

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDTED)

*Nine months ended 30 September 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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	—	—	(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>
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	—	—	(206)	—	—	—	(206)	(2)	(208)
Net profit for the period	—	—	—	—	5,315	—	5,315	—	5,315
At 30 September 2007	<u>22,420</u>	<u>33,124</u>	<u>(422)</u>	<u>7,491</u>	<u>(7,271)</u>	<u>23,765</u>	<u>79,107</u>	<u>24</u>	<u>79,131</u>

## 1. BASIS OF PREPARATION

The Group's unaudited condensed 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 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 adopted the following new HKFRSs, which have been issued but have not become effective regarding 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			
	Nine months ended 30 September		Three months ended 30 September	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maintenance service fees	27,009	21,091	10,096	7,441
Sale of computer software	4,967	1,620	1,661	554
Information service fees	1,048	2,391	377	594
Others	610	285	187	54
	<u>33,634</u>	<u>25,387</u>	<u>12,321</u>	<u>8,643</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 nine months ended 30 September 2007 and 2006 were located in the PRC. Accordingly, no geographical segment information is presented.

## 5. OTHER REVENUE

	Unaudited			
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Value added tax refund				
(Note)	3,201	3,239	922	951
Interest income	568	834	338	186
Subsidy income	146	—	146	—
Sundries	10	8	12	2
Net rental income from investment property	—	444	—	96
	<u>3,925</u>	<u>4,525</u>	<u>1,418</u>	<u>1,235</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			
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Gain on disposal of assets classified as held for sale	4,289	350	4,362	(2)
Net unrealised (loss)/ gain on investments held for trading	—	(759)	—	37
Gain on disposal of investment property	—	5,460	—	5,460
Write back of other payables	—	48	—	2
	<u>4,289</u>	<u>5,099</u>	<u>4,362</u>	<u>5,497</u>



## 7. INCOME TAX

	Unaudited			
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign enterprise income tax	<u>1,700</u>	<u>2,246</u>	<u>1,434</u>	<u>1,599</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.

## 8. BASIC EARNINGS PER SHARE

	Unaudited			
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings per share (RMB cents)	<u>2.52</u>	<u>3.07</u>	<u>1.86</u>	<u>2.16</u>

The calculation of basic earnings per share for the nine months and three months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of RMB 5,315,000 and RMB 3,930,000 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 2006 is based on the profit attributable to equity holders of the Company 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.

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 2007 and 2006.

## 9. DIVIDENDS

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the nine months and three months ended 30 September 2007:

The total income has reached RMB33,634,000, representing an increase of 32.40% and 13.70% as compared with the same period of previous year and the previous quarter respectively.

RMB27,009,000 has been recorded as maintenance service fees, representing an increase of 28.00% and 19.00% as compared with the same period of previous year and the previous quarter respectively. Maintenance service fees represent 80.30% of the turnover in the period.

RMB4,967,000 has been recorded as sale of computer software, representing an increase of 206.60% and a decrease of 10.50% as compared with the same period of previous year and the previous quarter respectively. Sale of computer software represents 14.70% of the turnover in the period.

The Group recorded a net profit attributable to shareholders of RMB 5,315,000, whereas a net profit attributable to shareholders of RMB6,461,000 was recorded for the same period in 2006. The decrease of RMB 1,149,000 in profit attributable to shareholders for the period was due to the following reasons:

1. Other gains and losses of the Group for the period ended 30 September 2007 has decreased by RMB 810,000. During the nine months ended 30 September 2007, the Group has recorded RMB 4,289,000 as a net gain on disposal of subsidiaries. In the same period of previous year, RMB 5,460,000 has been recorded as the gain on disposal of investment property.
2. The Group's other revenue has decreased by RMB 600,000 for the period ended 30 September 2007 as compared with the same period in the previous year mainly because the rental income and interest income has decreased by RMB710,000;
3. The distribution cost and the administrative expense for the period ended 30 September 2007 have increased by RMB4,322,000 as compared with the same period in previous year because the principal place of business of the Group was moved to a new address which resulted in an increase in cost of RMB 800,000; furthermore due to expansion of business, our labour cost has increased by RMB2,186,000 as compared with the same period in the previous year.

Basic earnings per share was RMB 2.52 cents.

At 30 September 2007, the Group's cash and cash equivalents is RMB 63,286,000.

## **BUSINESS REVIEW**

For the nine months ended 30 September 2007, the Group has recorded RMB 27,009,000 maintenance service fee, representing an increase of 28.00% and 19.00% as compared with the same period of previous year and previous quarter. The maintenance service fee represents 80.30% of the total turnover for the period. In this respect, the income from Qianlong Gang Gu Tong is very obvious. For the nine months ended 30 September 2007, the income for Qianlong Gang Gu Tong has recorded RMB6,675,000, representing an increase of 339.40% and 81.20% as compared with the same period of previous year and previous quarter respectively. The main reason is the stock index in mainland China has increased from 3000 point to 6000 point since the beginning of this year. Many shareholders fear it would be very risky to invest in the stock market in mainland China. Comparatively, Hong Kong's stock market is less risky and the government has also introduced appropriate policies to encourage investors to conduct foreign investment.

The income derived from selling computer software was RMB 4,967,000, representing an increase of 206.60% and a decrease of 10.50% as compared with the same period of previous year and previous quarter. The income from sale of computer software represents 14.70% of the total turnover for the period. Network version has recorded RMB3,060,000 income, representing an increase of 311.80% and 7.10% as compared with the same period of previous year and previous quarter respectively. Internet network version has recorded RMB1,884,000 income, representing an increase of 131.40% as compared with the same period of previous year. The increase is mainly because of the overheated stock market in mainland China, the rapidly increased number of shareholders, network capacity and business expansion of securities brokers.

## **WORKING CAPITAL AND FINANCIAL RESOURCES**

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

For nine months ended 30 September 2007, the Group's net cash inflow from operation activities was RMB 8,003,000.

On 30 September 2007, the Group's cash and cash equivalents was RMB63,286,000, the total current asset was RMB68,967,000 and the total current liability was RMB28,481,000.

## **PRODUCT DEVELOPMENT**

With the quick development of QDII and the open policy of Hong Kong Stocks, the users of Qianlong Gang Gu Tong are rapidly increasing. Because of the long term experience of production operation and development, the performance and function of its system and the diversity of the products have led Gang Gu Tong to win recognition from domestic and foreign users and become the leader of the market. Level, a data service product similar to Gang Gu Tong, mainly develops Share A investment market and also achieves forecasted development. Another data service product-Index futures information-will be launched soon.As everything is ready now, the Company will develop the relevant business once we obtain approval from the Financial Futures Exchange in China.

At the same time, the Company has developed educational and training products on individual user's area. Small scale tests have achieved good feedback and we hope to expand on that.

On the enterprise user's area, products including index futures software (which has already been used in simulation information analysis), new system solutions for security houses, online transaction system and TV screen have met our customers' satisfaction and achieved forecasted results.

Regarding college financial educational products, the newly developed simulation bank system has already joined in the production line to strengthen Qianlong's competitive edge.

Regarding financial data products, F10 and database products have developed a new market and furthermore we have developed the related ancillary tools to improve the products usability. We have won the recognition from fund managers and other organizational users.

Our products and services are continuously enriched and perfected and Qianlong is now building up steadily to become a leading real time financial information platform in China.

## **DEPLOYMENT OF HUMAN RESOURCES**

The total number of staff of the Group increased from 188 as at 30 September 2006 to 234 as at 30 September 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 nine months ended 30 September 2007 is approximately RMB 12,986,000, representing an increase of 20.20% as compared with the same period of the previous year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the nine months ended 30 September 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 September 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 September 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 September 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 September 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 nine months ended 30 September 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 September 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, being 5% or more in the issued share capital of the Company.

<b>Name</b>	<b>Number of the shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2007.

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

13 November 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 Bing Shou, Peter, Mr. Chen Shen Tien, Mr. Chen Ming Chuan and Mr. Yu Sbi Pi, and three independent non-executive Directors, being Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest.*