



**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)**

**THE THIRD QUARTERLY RESULTS REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2010**

\* *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 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 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 Stock 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 2010 increased by 33.74% to RMB80,203,000 (2009: RMB59,969,000).
- Profit attributable to owners of the Company for the nine months ended 30 September 2010 increased by 22.51% to RMB 16,333,000 (2009: RMB13,332,000).
- Basic and diluted earnings per share was RMB6.47 cents (2009: RMB5.28 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 ended 30 September 2010 together with the comparative unaudited figures for the corresponding period in 2009 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (UNAUDITED)**

|   | Notes | Nine months ended<br>30 September |                 | Three months ended<br>30 September |                 |
|---|-------|-----------------------------------|-----------------|------------------------------------|-----------------|
|   |       | 2010<br>RMB'000                   | 2009<br>RMB'000 | 2010<br>RMB'000                    | 2009<br>RMB'000 |
| Turnover  | 3     | 80,203                            | 59,969          | 25,936                             | 22,057          |
| Cost of sales   |       | <u>(22,325)</u>                   | <u>(17,528)</u> | <u>(7,652)</u>                     | <u>(7,760)</u>  |
| Gross profit  |       | 57,878                            | 42,441          | 18,284                             | 14,297          |
| Other income  | 5     | 10,214                            | 6,903           | 2,999                              | 2,838           |
| Other gains and losses  | 6     | 174                               | 121             | 28                                 | 31              |
| Selling and distribution costs  |       | (30,211)                          | (15,309)        | (9,659)                            | (5,681)         |
| Administrative expenses   |       | (20,638)                          | (18,976)        | (6,583)                            | (6,363)         |
| Other operating expenses  |       | <u>(20)</u>                       | <u>(20)</u>     | <u>(20)</u>                        | <u>—</u>        |
| Profit before income tax  | 7     | 17,397                            | 15,160          | 5,049                              | 5,122           |
| Income tax  | 8     | <u>(1,064)</u>                    | <u>(1,828)</u>  | <u>(259)</u>                       | <u>(443)</u>    |
| Profit for the period<br>attributable to owners<br>of the Company   |       | 16,333                            | 13,332          | 4,790                              | 4,679           |
| Other comprehensive income<br>for the period:<br>Exchange differences on<br>translating foreign<br>operations |       | <u>(638)</u>                      | <u>(15)</u>     | <u>(276)</u>                       | <u>(8)</u>      |
| Total comprehensive income<br>for the period attributable<br>to owners of the Company                         |       | <u>15,695</u>                     | <u>13,317</u>   | <u>4,514</u>                       | <u>4,671</u>    |
| Earnings per share<br>- Basic and diluted<br>(RMB cents)  | 9     | <u>6.47</u>                       | <u>5.28</u>     | <u>1.90</u>                        | <u>1.85</u>     |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | <b>Unaudited<br/>At 30<br/>September<br/>2010<br/>RMB'000</b> | <b>Audited<br/>At 31<br/>December<br/>2009<br/>RMB'000</b> |
|---|---|--|
| <b>Non-current assets</b>                               |   |  |
| Property, plant and equipment                           | 34,251  | 35,086   |
| <b>Current assets</b>                                   |   |  |
| Inventories   | 99  | 77   |
| Trade and other receivables                             | 14,853  | 4,363  |
| Deposits and prepayments                                | 3,877   | 5,277  |
| Investments held for trading                            | 8,000   | 8,000  |
| Cash and cash equivalents                               | 141,141   | 132,362  |
| <b>Total current assets</b>                             | <b>167,970</b>  | <b>150,079</b>   |
| <b>Total assets</b>                                     | <b>202,221</b>  | <b>185,165</b>   |
| <b>Current liabilities</b>                              |   |  |
| Trade and other payables                                | 51,671  | 44,897   |
| Taxation payable  | 2,679   | 1,851  |
| <b>Total current liabilities</b>                        | <b>54,350</b>   | <b>46,748</b>  |
| <b>Net current assets</b>                               | <b>113,620</b>  | <b>103,331</b>   |
| <b>Total assets less current liabilities</b>            | <b>147,871</b>  | <b>138,417</b>   |
| <b>Non-current liabilities</b>                          |   |  |
| Deferred revenue  | 9,568   | 3,541  |
| Deferred tax liabilities                                | 41  | 1,291  |
| <b>Total non-current liabilities</b>                    | <b>9,609</b>  | <b>4,832</b>   |
| <b>Total liabilities</b>                                | <b>63,959</b>   | <b>51,580</b>  |
| <b>TOTAL NET ASSETS</b>                                 | <b>138,262</b>  | <b>133,585</b>   |
| <b>Equity attributable to owners<br/>of the Company</b> |   |  |
| Share capital   | 26,128  | 26,128   |
| Reserves  | 112,134   | 107,457  |
| <b>TOTAL EQUITY</b>                                     | <b>138,262</b>  | <b>133,585</b>   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*For the nine months ended 30 September 2010*

|  | Share<br>capital     | Share<br>premium     | Exchange<br>reserve   | General<br>reserve   | Merger<br>reserve    | Retained<br>Profits  | Total<br>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>        |
| At 1 January 2009                            | 26,128               | 44,939               | (791)                 | 10,644               | 22,036               | 12,522               | 115,478               |
| Total comprehensive<br>income for the period | —                    | —                    | (15)                  | —                    | —                    | 13,332               | 13,317                |
| At 30 September 2009                         | <u>26,128</u>        | <u>44,939</u>        | <u>(806)</u>          | <u>10,644</u>        | <u>22,036</u>        | <u>25,854</u>        | <u>128,795</u>        |
| At 1 January 2010                            | 26,128               | 44,939               | (3,683)               | 14,017               | 24,598               | 27,586               | 133,585               |
| Total comprehensive<br>income for the period | —                    | —                    | (638)                 | —                    | —                    | 16,333               | 15,695                |
| Interim dividend                             | —                    | —                    | —                     | —                    | —                    | (11,018)             | (11,018)              |
| At 30 September 2010                         | <u><u>26,128</u></u> | <u><u>44,939</u></u> | <u><u>(4,321)</u></u> | <u><u>14,017</u></u> | <u><u>24,598</u></u> | <u><u>32,901</u></u> | <u><u>138,262</u></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 Stock Exchange (the "GEM Listing Rules") and the Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these quarterly financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2009.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

- (a) In the current period, the Group has adopted all the new or revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.
- (b) Potential impact arising on HKFRSs not yet effective

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

|                               |  |
|-------------------------------|--|
| HKFRSs (Amendments)           | Improvements to HKFRSs 2010 <sup>1</sup>                                 |
| HK(IFRIC) - Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup> |
| HKAS 24 (Revised)             | Related Party Disclosures <sup>3</sup>                                   |
| HKFRS 9                       | Financial Instruments <sup>4</sup>                                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs in the period of their initial application.

### 3. TURNOVER

Turnover represents the sales value of goods supplied to customers and 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 (the "PRC"). The amount of each significant category of revenue recognised in turnover during the respective periods is as follows:

|                                    | Unaudited         |               |                    |               |
|------------------------------------|-------------------|---------------|--------------------|---------------|
|                                    | Nine months ended |               | Three months ended |               |
|                                    | 30 September      |               | 30 September       |               |
|                                    | 2010              | 2009          | 2010               | 2009          |
|                                    | RMB'000           | RMB'000       | RMB'000            | RMB'000       |
| Maintenance service and usage fees | 36,365            | 21,504        | 14,038             | 7,245         |
| Information service fees           | 31,725            | 25,028        | 9,872              | 8,376         |
| Sale of computer software          | 11,111            | 12,964        | 1,931              | 6,243         |
| Others                             | 1,002             | 473           | 95                 | 193           |
|                                    | <u>80,203</u>     | <u>59,969</u> | <u>25,936</u>      | <u>22,057</u> |

### 4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(a) *Reportable segment*

No separate business segment information is presented as the Group has only one business segment used by the chief operation decision-maker to make strategic decision, which is the distribution and usage of software and provision of related maintenance and information services.

(b) *Geographical information*

All operating assets and operations of the Group during the nine months ended 30 September 2010 and 2009 were located in the PRC.

(c) *Information about major customers*

Revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the nine months ended 30 September 2010 and 2009.



## 5. OTHER INCOME

|                                   | Unaudited         |              |                    |              |
|-----------------------------------|-------------------|--------------|--------------------|--------------|
|                                   | Nine months ended |              | Three months ended |              |
|                                   | 30 September      |              | 30 September       |              |
|                                   | 2010              | 2009         | 2010               | 2009         |
|                                   | RMB'000           | RMB'000      | RMB'000            | RMB'000      |
| Value added tax refund (Note (i)) | 7,800             | 4,890        | 2,512              | 2,110        |
| Interest income                   | 1,551             | 1,438        | 448                | 454          |
| Subsidy income (Note (ii))        | 730               | 484          | —                  | 201          |
| Sundries                          | 133               | 91           | 39                 | 73           |
|                                   | <u>10,214</u>     | <u>6,903</u> | <u>2,999</u>       | <u>2,838</u> |

*Note:*

- (i) 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 paid in excess of an effective rate of 3%. The amount of value added tax refund is recognised as other income on an accrual basis.
- (ii) Subsidy income for the nine months and three months ended 30 September 2010 represents subsidies received from Shanghai Finance Bureau to finance the development of advanced technology and was calculated based on 50% of the business tax, value added tax and the enterprise income tax paid to the local government last year.

## 6. OTHER GAINS AND LOSSES

|  | Unaudited         |            |                    |           |
|--|-------------------|------------|--------------------|-----------|
|  | Nine months ended |            | Three months ended |           |
|  | 30 September      |            | 30 September       |           |
|  | 2010              | 2009       | 2010               | 2009      |
|  | RMB'000           | RMB'000    | RMB'000            | RMB'000   |
| Gain on disposal of investments held for trading | 174               | 111        | 28                 | 31        |
| Fair value gain on investments held for trading  | —                 | 10         | —                  | —         |
|  | <u>174</u>        | <u>121</u> | <u>28</u>          | <u>31</u> |

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

|              | Unaudited         |                |                    |                |
|--------------|-------------------|----------------|--------------------|----------------|
|              | Nine months ended |                | Three months ended |                |
|              | 30 September      |                | 30 September       |                |
|              | 2010              | 2009           | 2010               | 2009           |
|              | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i>     | <i>RMB'000</i> |
| Depreciation | <u>3,059</u>      | <u>2,486</u>   | <u>1,145</u>       | <u>840</u>     |

## 8. INCOME TAX

|   | Unaudited         |                |                    |                |
|---|-------------------|----------------|--------------------|----------------|
|   | Nine months ended |                | Three months ended |                |
|   | 30 September      |                | 30 September       |                |
|   | 2010              | 2009           | 2010               | 2009           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i>     | <i>RMB'000</i> |
| PRC foreign<br>enterprise<br>income tax | <u>1,064</u>      | <u>1,828</u>   | <u>259</u>         | <u>443</u>     |

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

Shanghai Qianlong Advanced Technology Company Limited, a PRC operating subsidiary of the Company, which is engaging in advanced technology operation is entitled to enterprise income tax rate of 15% according to Session 111 of the National Enterprise Income Tax Law in 2008.

Shanghai Qianlong Network Technology Company Limited, a PRC operating subsidiary of the Company, which is engaging in trading of computer software is entitled to enjoy the enterprise income tax at the concessionary rate of 12.5% for 2 years from January 2010 to December 2011 according to "Finance tax No.2008-1" issued by the Treasury and National Tax bureau.

## **9. EARNINGS PER SHARE**

The calculation of basic earnings per share for the nine months and three months ended 30 September 2010 is based on the profit attributable to owners of the Company of RMB 16,333,000 (2009: RMB 13,332,000) and RMB 4,790,000 (2009: RMB 4,679,000) respectively divided by 252,600,000 (2009: 252,600,000) ordinary shares in issue during the period.

During the nine months ended 30 September 2010 and 2009, the diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in issue during these two periods.

## **10. DIVIDENDS**

The Board declared an interim dividend of HK\$0.05 (equivalent to RMB 0.044) per share for the first quarter from 1 January 2010 to 31 March 2010.

The Board does not recommend the payment of any dividends attributable to the period from 1 April 2010 to 30 September 2010 and nine months ended 30 September 2009.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the nine months ended 30 September 2010, the Group made great achievements and reported a turnover of RMB80,203,000 (2009:RMB59,969,000), representing an increase of 33.74% as compared with that for the same period of the previous year.

For the nine months ended 30 September 2010, the Group has recorded revenue of RMB36,365,000 from maintenance service and usage fees (2009: RMB21,504,000), representing an increase of 69.11% as compared to the same period of last year. Income from information service fee was RMB31,725,000 (2009: RMB25,028,000), representing an increase of 26.76% to the same period of last year. The income from sale of computer software was RMB11,111,000 (2009: RMB12,964,000), representing a decrease of 14.29% to the same period of last year. The other income was RMB1,002,000 (2009: RMB473,000).

For the nine months ended 30 September 2010, the cost of sales was RMB22,325,000 (2009: RMB17,528,000), representing an increase of 27.37% as compared to the same period of last year. Among this, the cost for Qianlong Gang Gu Tong was RMB7,203,000 (2009: RMB7,120,000), representing an increase of 1.17% as compared to the same period of last year. The cost for Level 2 was RMB9,631,000 (2009: RMB5,400,000), representing an increase of 78.35% as compared to the same period of last year. The cost for Golden Eyes and Futures Index was RMB2,501,000 (2009: RMB320,000).

The increase of revenue resulted in great profit for the period. The Group recorded a net profit attributable to owners of the Company of RMB16,333,000 for the nine months ended 30 September 2010, representing an increase of 22.51% as compared with RMB13,332,000 for the same period of the previous year.

The basic and diluted earnings per share was RMB 6.47 cents (2009: RMB5.28 cents).

## **PRODUCT DEVELOPMENT**

The launch of Qianlong's new generation of finance platform has achieved solid advancement and a leading domestic securities house has formally contracted with the Company to become a user of this product. With the broadening application of the new finance platform, securities houses will achieve new efficiencies with their own resources and become leaders in the market.

The information combination and disclosure platform have also been upgraded with the capability to address the end application of both new and old generations of the finance platform. Through this advancement, the competitive edge of Qianlong's series of products is enhanced. The launch of the consignment transaction platform was also successful and has become the main configuration of more and more securities houses.

On individual products, the new analysis software targeting Hong Kong Hang Seng Index Futures, "Hangseng Winner," has launched with new data mining technology to provide real time information data analysis. By uniting transaction strategies in different periods, the product provides users effective investment transaction strategy analysis and operation suggestions resulting in higher success rates. The continued development of these strategy softwares satisfy the needs of high end users.

In addition, the "Palm Qianlong" for iPhone is the only real time stock software to meet the iPhone's operation habits in China. This product has already been listed on the AppStore and is ranked among top finance applications. The number of users increased rapidly after the launch.

## **BUSINESS REVIEW**

Year to date, the Chinese economy continues its up-trend from the prior year, however, part of economy increase appears overheated. In the first half of the year, the European debt crisis aggravated the global economy, increasing the possibility of a second downturn. The local securities market suffered large fluctuations due to the rapid decrease of sales in the domestic real estate market and the instability of the export market. The Shanghai Securities Index decreased from 3277.14 at the beginning of the year to a bottom of 2319.74. The transaction value of securities market was also in its downturn and the market sentiment was also low. All of these affected the investors' effective requirements of financial information services.

The Group's management team responded to this unfavorable market actively by enhancing technology innovation and improving the finance models. The Company strengthened products' functions, increased investment in research, enriched product structure, increased brand and market promotion and improved the sales network. These operations advanced the Company's research and development capabilities and improved protection from market risk to aid the continued growth of sales income and profit.

With hardware updates in securities houses and the variance of investors' requirements, the current Novell platform was unable to meet the requirements of the fast changes made by securities houses. Therefore, the Company researched and developed a complete solution based on Linux platform. The complete system has been transferred from Novell platform to Linux platform with consideration to practicability and safety. The layout and function on the customers' end retain Qianlong's traditional features and usage, allowing a seamless transfer without users noting a system change at all. This was greatly welcomed by the securities houses, resulting in good sales trend.

With the continuous innovation of transaction products in the securities market, except for main finance products such as stocks, debts, funds and futures, the launch of finance securities and stock index futures should push the securities market to develop further. In order to meet market requirements, the Company promptly launched products addressing stock index futures and goods futures. Based on the original Qianlong Platform, the disclosure of information function was added for stock index futures and goods futures. With the futures index information and consignment order system, the products will lead the new age of financial futures analysis transaction systems.

For the nine months ended 30 September 2010, the Group has recorded RMB21,525,000 on Internet version market, representing 26.84% of the total turnover. The Group has recorded RMB16,035,000 on Gang Gu Tong used for Hong Kong securities information, representing 19.99% of the total turnover.

## **MAJOR INVESTMENT**

As at 30 September 2010, the Group's subsidiaries have held unlisted investment fund of RMB8,000,000. The term of RMB4,000,000 investment fund is 183 days and matured on 22 October 2010 which was held by Shanghai Qianlong Network Technology Company Limited and for the other RMB4,000,000 investment fund the term is 92 days and will mature on 22 December 2010 was held by Shanghai Qianlong Advanced Technology Company Limited.

## **SELLING AND DISTRIBUTION COST**

For the nine months ended 30 September 2010, selling and distribution cost amounted to RMB30,211,000 (2009: RMB15,309,000), representing an increase of 97.34%. The increase was mainly due to increase in advertising and promotion fees and increase in sales staff costs as a result of the business expansion. For the nine months ended 30 September 2010, the advertising cost is RMB8,874,000.

## **WORKING CAPITAL AND FINANCIAL RESOURCES**

As at 30 September 2010, the Group's working capital and financial resources improved as compared to that on 31 December 2009. As at 30 September 2010, the Group's cash and cash equivalents was RMB141,141,000 (31 December 2009: RMB132,362,000). Therefore the Group's finance position is very stable.

## **DEPLOYMENT OF HUMAN RESOURCES**

The total number of staff of the Group as at 30 September 2010 was 383 (30 September 2009: 303). 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. For the nine months ended 30 September 2010, the total cost for staff (including salary, bonus and other benefits) is approximately RMB25,315,000 (2009: RMB18,474,000), representing an increase of 37.03%.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 September 2010 and 30 September 2009.

## **GEARING RATIO**

Since its establishment, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any securities or mortgages.

## **EXPOSURE ON EXCHANGE RATE FLUCTUATION**

Most of the income and expenditure of the Group were denominated in RMB and only a little is denominated in Hong Kong dollars. Therefore the Group considered the exchange rate fluctuation exposure is small and thus no financial instruments have been adopted for hedging purposes.

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

During the nine months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2010, 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             | 1.979%   |
| Chen Shen Tien    | Corporate (note (i) and (ii)) | 40,250,000            | 15.934%  |
| Fan Ping Yi       | Corporate (note (i) and (ii)) | 24,500,000            | 9.699%   |
| Yang Ching Shou   | Corporate (note (i) and (ii)) | 24,500,000            | 9.699%   |
| Chen Ming Chuan   | Corporate (note (i) and (ii)) | 18,375,000            | 7.274%   |
| Yu Shih Pi        | Corporate (note (i) and (ii)) | 14,875,000            | 5.889%   |

*Note:* (i) As at 30 September 2010, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% 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 2010, 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 to 5.68 of the GEM Listing Rules.

## **SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES**

As at 30 September 2010, 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                       | 15.934%   |
| Sapphire World Investment Limited | 24,500,000                       | 9.699%  |
| Legend Isle Technology Limited    | 24,500,000                       | 9.699%  |
| Star Channel Technology Limited   | 18,375,000                       | 7.274%  |
| Star Orient Global Limited        | 14,875,000                       | 5.889%  |

*Note:* As at 30 September 2010, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 15.934% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, own the entire issued share capital of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou and his spouse, Ms. Lai Ying Ming, own the entire issued share capital of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Chen Ming Chuan is the sole shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 7.274% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 5.889% 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.

## **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. Hsieh Billy Shao-Ven, 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 2010.

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 in the year of 1999. 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. Hsieh Billy Shao-Ven, 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 consolidated results for the nine months ended 30 September 2010 and opinions and suggestions have been provided before the approval of the Board meeting.

## **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 2010, 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 2010, 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**

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 2010.

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

12 November 2010