



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:1236)

**INTERIM REPORT
FOR THE PERIOD ENDED 30 JUNE 2012**

* *For identification purpose only*

HIGHLIGHTS

Turnover for the six months ended 30 June 2012 decreased by 8.52% to RMB51,605,000 (2011: RMB56,414,000).

Profit for the six months ended 30 June 2012 decreased by 63.52% to RMB5,001,000 (2011: RMB13,708,000).

Basic and diluted earnings per share was RMB1.98 cents (2011: RMB5.43 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 ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
	Notes	2012	2011
		RMB'000	RMB'000
Turnover	3	51,605	56,414
Cost of sales		(15,085)	(16,398)
Gross profit		36,520	40,016
Other income	5	6,298	7,776
Other gains	6	668	85
Selling and distribution costs		(16,343)	(15,477)
Administrative expenses		(21,522)	(17,080)
Profit before income tax	7	5,621	15,320
Income tax	8	(620)	(1,612)
Profit for the year		5,001	13,708
Other comprehensive income for the year			
Exchange differences on translating foreign operations		229	(575)
Total comprehensive income for the year		5,230	13,133
Earnings per share			
– Basic and diluted	9	RMB1.98 cents	RMB5.43 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2012 RMB'000 (Unaudited)	31 December 2011 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	28,496	30,454
Investment properties	12	15,996	16,397
Prepaid lease payments		39,012	39,697
Total non-current assets		83,504	86,548
Current assets			
Inventories		59	79
Trade and other receivables	13	15,859	7,907
Deposits and prepayments		5,025	4,540
Investments held for trading		5,000	8,000
Cash and cash equivalents		130,584	130,891
Total current assets		156,527	151,417
Total assets		240,031	237,965
Current liabilities			
Trade and other payables	14	11,382	14,630
Deferred revenue		48,289	49,340
Tax payable		2,167	547
Total current liabilities		61,838	64,517
Net current assets		94,689	86,900
Total assets less current liabilities		178,193	173,448

	<i>Notes</i>	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current liabilities			
Deferred revenue		8,771	8,256
Deferred tax liabilities		<u>268</u>	<u>1,268</u>
Total non-current liabilities		<u>9,039</u>	<u>9,524</u>
Total liabilities		<u>70,877</u>	<u>74,041</u>
NET ASSETS		<u>169,154</u>	<u>163,924</u>
Equity attributable to owners of the Company			
Share capital		26,128	26,128
Reserves		<u>143,026</u>	<u>137,796</u>
TOTAL EQUITY		<u>169,154</u>	<u>163,924</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2012

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Reserves			Total equity <i>RMB'000</i>
				General reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	
In 2011							
Balance at 1 January 2011	26,128	33,921	(4,711)	17,873	24,598	46,304	144,113
Profit for the period	—	—	—	—	—	13,708	13,708
Other comprehensive income	—	—	(575)	—	—	—	(575)
Total comprehensive income	—	—	(575)	—	—	13,708	13,133
Balance at 30 June 2011	<u>26,128</u>	<u>33,921</u>	<u>(5,286)</u>	<u>17,873</u>	<u>24,598</u>	<u>60,012</u>	<u>157,246</u>
In 2012							
Balance at 1 January 2012	26,128	33,921	(5,870)	21,311	24,598	63,836	163,924
Profit for the period	—	—	—	—	—	5,001	5,001
Other comprehensive income	—	—	229	—	—	—	229
Total comprehensive income	—	—	229	—	—	5,001	5,230
At 30 June 2012	<u>26,128</u>	<u>33,921</u>	<u>(5,641)</u>	<u>21,311</u>	<u>24,598</u>	<u>68,837</u>	<u>169,154</u>

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(4,158)	10,092
Net cash inflow/(outflow) from investing activities	3,851	(60,342)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(307)	(50,250)
Cash and cash equivalents at 1 January	130,891	161,883
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	130,584	111,633
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NOTES:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 6 May 1998 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 December 1999. On 18 August 2011, the Stock Exchange has granted the approval-in-principle for the Company's shares to be listed on the Main Board of the Stock Exchange (the "Main Board") and delisted from GEM and the Company's shares were successfully migrated from the GEM of the Stock Exchange to the Main Board. Further details are set out in the Company's announcement dated 19 August 2011. The last trading date of the Company's shares on the GEM was 26 August 2011.

The Company is an investment holding company. The principal activities of the Group are the research, development and distribution of software, and the provision of related maintenance, usage and information services in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

(a) *Statement of compliance*

The condensed financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange.

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 2011. The adoption of the new standards and interpretations has no significant impact on the Group's financial position for the current and prior periods.

(b) *Basis of measurement*

The financial statements have been prepared under the historical cost convention, as modified for certain financial instruments which are carried at fair value.

3. Turnover

Turnover represents the sales value of goods supplied to customers and the service fees receivable, net of goods returned, trade discounts and value added tax. The Group's products and services are mainly sold and provided to customers in the PRC. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Maintenance service and usage fees	29,902	28,888
Information service fees	18,558	19,762
Sale of computer software	1,696	6,870
Others	1,449	894
	51,605	56,414

4. Segment reporting

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 segments*

The Group operates in a single segment, which is the distribution and usage of software and provision of related maintenance and information services. Revenue from external customers for related products and services are presented in Note 3.

(b) *Geographical information*

All operating assets and operations of the Group during the six months ended 30 June 2012 and 2011 were located in the PRC.

(c) *Information about a major customer*

Revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the six months ended 30 June 2012 and 2011.

5. Other Income

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Value added tax refund (<i>Note (a)</i>)	4,082	5,201
Interest income	1,003	1,039
Subsidy income (<i>Note (b)</i>)	799	1,499
Rental income	407	—
Sundries	7	37
	<u>6,298</u>	<u>7,776</u>

Notes:

- (a) 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.
- (b) Subsidy income for six months ended 30 June 2012 mainly represented a subsidy of RMB300,000 granted by Shanghai Finance Bureau to finance the PRC subsidiaries' development of advanced technology, and the subsidy income of RMB499,000 was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government last year.

6. Other gains and losses

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Gain on disposal of investments held for trading	<u>668</u>	<u>85</u>

7. **Profit before income tax**

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax is stated		
after charging the following:		
Depreciation of property, plant and equipment	2,141	2,727
Depreciation of investment property	401	—
Amortisation of prepaid lease payment	684	—
	<u> </u>	<u> </u>

8. **Income tax**

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
PRC foreign enterprise income tax	620	1,612
	<u> </u>	<u> </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 years.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law ("New Tax Law"), which became effective from 1 January 2008. In accordance with the New Tax Law, the unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012.

Shanghai Qianlong Network Technology Company Limited, a PRC operating subsidiary of the Group, has obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the enterprise income tax at the concessionary rate of 15% for 3 years from 2011 to 2013 according to Article 111 of the National Enterprise Income Tax Law in 2008.

Shanghai Qianlong Advanced Technology Company Limited, a PRC operating subsidiary of the Group, which is engaged in advanced technology operation continued to enjoy the preferential enterprise income tax rate of 15% for 3 years from 2011 to 2013 according to Article 111 of the National Enterprise Income Tax Law in 2008.

9. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of RMB5,001,000 (2011: RMB13,708,000) and 252,600,000 ordinary shares (2011: 252,600,000) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2012 and 2011 are the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue for these periods.

10. Dividends

The Board declared an interim dividend of HK\$0.05 (equivalent to approximately RMB0.041 (2011: Nil)) per share for the six months ended 30 June 2012.

11. Property, plant and equipment

	Leasehold land and building <i>RMB'000</i>	Leasehold Improvement <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
At 1 January 2012	34,455	5,897	6,056	991	47,399
Additions	—	—	174	9	183
At 30 June 2012	<u>34,455</u>	<u>5,897</u>	<u>6,230</u>	<u>1,000</u>	<u>47,582</u>
Accumulated depreciation:					
At 1 January 2012	8,140	4,554	3,757	494	16,945
Addition	775	647	632	87	2,141
At 30 June 2012	<u>8,915</u>	<u>5,201</u>	<u>4,389</u>	<u>581</u>	<u>19,086</u>
Carrying amount:					
At 30 June 2012 (Unaudited)	<u>25,540</u>	<u>696</u>	<u>1,841</u>	<u>419</u>	<u>28,496</u>
At 31 December 2011 (Audited)	<u>26,315</u>	<u>1,343</u>	<u>2,299</u>	<u>497</u>	<u>30,454</u>

12. Investment properties

	Investment properties <i>RMB'000</i>
Cost:	
At 1 January 2012	16,910
Additions	-
	<hr/>
At 30 June 2012	16,910
	<hr/>
Accumulated depreciation:	
At 1 January 2012	513
Additions	401
	<hr/>
At 30 June 2012	914
	<hr/>
Carrying amount:	
At 30 June 2012 (Unaudited)	15,996
	<hr/> <hr/>
At 31 December 2011 (Audited)	16,397
	<hr/> <hr/>

13. Trade and other receivables

	Unaudited At 30 June 2012 RMB'000	Audited At 31 December 2011 <i>RMB'000</i>
Trade receivables	8,375	4,955
Less: Impairment loss recognised	(47)	(47)
	<hr/>	<hr/>
Trade receivables-net	8,328	4,908
Other receivables	7,531	2,999
	<hr/>	<hr/>
	15,859	7,907
	<hr/> <hr/>	<hr/> <hr/>

- (a) The Group's policy is to allow an average credit period of 30 days from the date of billing to its trade customers. All trade receivables are denominated in Renminbi.
- (b) At 30 June 2012, the Group's trade receivables of about RMB47,000 (2011: RMB47,000) were individually determined to be impaired. The individually impaired receivables related to debts that are long outstanding and management expected these debts to be irrecoverable.

- (c) The following is an ageing analysis of trade receivables, based on the invoice date and net of impairment loss, at the end of the reporting period:

	Unaudited	Audited
	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
Within 1 month	1,785	3,448
1 to 3 months	1,692	401
More than 3 months but less than 12 months	4,134	1,055
More than 12 months	717	4
	<u>8,328</u>	<u>4,908</u>

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

14. Trade and other payables

	Unaudited	Audited
	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
Trade payables	2,348	1,910
Receipts in advance	1,862	1,128
Other payables	1,844	3,230
Accruals	5,328	8,362
	<u>11,382</u>	<u>14,630</u>

- (a) The following is an ageing analysis of trade payables, based on the invoice date, at the end of the reporting period:

	Unaudited	Audited
	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
Within 1 month	942	1,199
1 to 3 months	1,248	699
More than 3 months but less than 12 months	7	4
More than 12 months	151	8
	<u>2,348</u>	<u>1,910</u>

- (b) All other payables and accruals are expected to be settled within one year.
- (c) The directors consider that the carrying amounts of trade and other payables approximate their fair values.

15. Operating lease arrangement

At 30 June 2012, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Unaudited	Audited
	At 30 June	At 31 December
	2012	2011
	RMB'000	RMB'000
Within one year	2,373	1,993
In the second to fifth years inclusive	1,045	1,208
	<u>3,418</u>	<u>3,201</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group reported a turnover of RMB51,605,000, representing a decrease of 8.52% as compared with RMB56,414,000 for the same period of the previous year.

For the six months ended 30 June 2012, the Group reported a profit of RMB5,001,000, representing a decrease of 63.52% as compared with RMB13,708,000 for the same period of the previous year.

The decrease of profit was mainly due to the following reasons:

1. The turnover for the six months ended 30 June 2012 decreased RMB4,809,000 as compared to the same period of the previous year.
2. The staff cost increased RMB4,866,000 as compared to the same period of the previous year.

Details are set out in the “Business Review” below.

The basic and diluted earnings per share was RMB1.98 cents (2011: RMB5.43 cents).

BUSINESS SUMMARY AND PROSPECTS

In the first half of 2012, the domestic and international economy and stock markets were facing potential crisis. Although new policies were released frequently in the A share market, they could not stop the decline in market price, volume and investment. This caused great challenges to the continuing development of the securities software industry. To face this challenge, the Group expanded investment in product research and development, increasing sales by finding, introducing and exploring new market opportunities with new products and ideas.

In the enterprise users’ market, the Company has developed a new investment consulting platform for brokers to provide valuable services to investors by integrating stock information, news and advisory services. While shareholders earn additional profit, brokers also benefit by stimulating investment and increasing trade volume. The investment consulting platform is already in use in some securities houses and has received good feedback and appraisal. We anticipate support from more securities houses and to attract more users this year.

While developing new products and business, the Group continues to further develop traditional leading products. Among these, the combined product of Hong Kong Stock Information Analysis and consignment transaction has attracted more new users such as Guosen Hong Kong, First Shanghai Securities, China Investment Hong Kong, etc., further strengthening our leading position in Hong Kong’s stock software market.

Regarding individual users’ products, the Group continues its efforts to improve the product structure and optimize the service platform. the Company introduced the 2012 upgraded versions of “Optional Share” Cloud sync, the new version of “Xi Wei Mi Ma”, new video center and new routing center, providing better services and product application experience for users of the Company and improving the users’ loyalty.

In addition, the Company is developing a new generation of professional stock information monitoring tool. It is expected to be launched within the year, strengthening the Company’s leading position in the professional securities software industry.

BUSINESS REVIEW

For the six months ended 30 June 2012, Chinese securities market appeared weakened and showed increased volatility. With the obvious decrease in market activity and a year of downturn in the stock indices, investors' demand for financial information services declined and the sales decreased accordingly. At the same time, the effect of Chinese mainland's inflation increased labor costs, leading to a decline of the Company's net profit.

In the first half of 2012, the Company continued to invest in research and development, optimize product catalogue and function, enhance service quality, attract new talents, increase the team's competitive edge, strengthen the Company brand and raise brand awareness to lay a foundation for the Company's long term and continuous development.

With respect to business development and innovation, the Company continued to introduce new product and services. Based on customers' needs, the Company is constantly improving its product quality and ease of use, and providing more comprehensive financial information services. With the maturity of the enterprise user products and the comprehensive update of series products, the Company's product mix has been strengthening continuously. As to the customer and market, the Company focused on the financial core idea of building sales channels; marketing was closely aligned with product structure adjustment and changes in the market competition; and emphasis was placed on marketing efforts to promote new products and getting more institutional customers.

MAJOR INVESTMENT

As at 30 June 2012, the Company's subsidiary Shanghai Qianlong Advanced Technology Company Limited held unlisted investment fund of RMB5,000,000 with term of 180 days and will mature on 3 December 2012.

ADMINISTRATIVE COST

For the six months ended 30 June 2012, the administrative cost was increased from RMB17,080,000 in 2011 to RMB21,522,000 in 2012, representing an increase of 26.01%. The increase is mainly caused by the subsidiaries of the Company which have expanded their scale and increased the staff for R&D and testing.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's cash and cash equivalents were RMB130,584,000 (31 December 2011: RMB130,891,000). Therefore, the Group's financial status is still stable.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group as at 30 June 2012 was 429 (30 June 2011: 397). 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 six months ended 30 June 2012, the total cost for staff (including salary, bonus and other welfare) is approximately RMB22,796,000 (2011: RMB17,930,000), representing an increase of 27.14% as compared to the same period of 2011.

CONTINGENT LIABILITIES

The Group did not have any significant or contingent liabilities as at 30 June 2012 and 30 June 2011.

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 an immaterial minor amount is denominated in Hong Kong dollars. Therefore the Group considered the exchange rate fluctuation exposure is small and thus no financial instruments have been used for hedging purposes.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.05 per share for the six months ended 30 June 2012 to shareholders whose names appear on the register of members of the Company at the close of business on 20 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2012 to 20 September 2012, both days inclusive, during which period no transfers of shares will be registered. In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar Hong Kong Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 14 September 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company is committed to maintaining and achieving the highest standards of corporate governance practices with an emphasis on a quality board, healthy internal supervision and better transparency and responsibility to all shareholders. The "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") has been revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. The Company has properly applied the principles of the CG Code and met all the code provisions set out therein during the six months ended 30 June 2012, except the deviation disclosed in the following paragraph: -

Following the resignation of Mr. Chang Long-Teng effective on 24 March 2012, the number of the independent non-executive directors and the audit committee members of the company had fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. The Company has identified suitable candidate and filled in the vacancy on 21 June 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

NOMINATION COMMITTEE

On 23 March 2012, a nomination committee was set up by the Company with written terms of reference. The chairman of the committee is Mr. Liao Chao-Ping, the executive Director and Chairman of the Group, and other members include Ms. Chiu Kam Hing, Kathy and Mr. Hsieh Billy Shao-Ven, both being independent non-executive Directors.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 June 2012 are unaudited and not reviewed by the auditors of the Company. The audit committee of the Company, which comprised all the independent non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

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

17 August 2012, Shanghai, the PRC

As at the date of this report, the Board comprises seven executive Directors, being Mr. Liao Chao Ping, Mr. Fan Ping Yi, Mr. Yang Ching Shou, Mr. Chen Shen Tien, Mr. Chen Ming Chuan, Mr. Yu Shi Pi and Miss. Liao Angela Min-Yin, and three independent non-executive Directors, being Ms. Chiu Kam Hing, Kathy, Mr. Hsieh Billy Shao-Ven and Mr. Tsai Jeng-Yang.

* *For identification purpose only*