



**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 INTERIM RESULTS ANNOUNCEMENT  
FOR THE PERIOD ENDED 30 JUNE 2011**

\* *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 in the six months ended 30 June 2011 increased by 3.96% to RMB56,414,000 (2010: RMB 54,267,000).
- Profit attributable to owners of the Company in the six months ended 30 June 2011 increased by 18.76% to RMB13,708,000 (2010: RMB 11,543,000).
- Basic and diluted earnings per share was RMB5.43 cents (2010: RMB4.57 cents).

## **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 2011 together with the comparative unaudited figures for the corresponding period in 2010 as follows:

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

	<i>Notes</i>	Six months ended		Three month ended	
		30 June		30 June	
		2011	2010	2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4	56,414	54,267	28,335	27,273
Cost of sales		(16,398)	(14,673)	(8,299)	(7,650)
Gross profit		40,016	39,594	20,036	19,623
Other income	6	7,776	7,215	3,248	3,910
Other gains and losses	7	85	146	—	22
Selling and distribution costs		(15,477)	(20,552)	(8,210)	(9,337)
Administrative expenses		(17,080)	(14,055)	(9,369)	(6,402)
Profit before income tax	8	15,320	12,348	5,705	7,816
Income tax	9	(1,612)	(805)	(550)	(385)
Profit for the period attributable to owners of the Company		13,708	11,543	5,155	7,431
Other comprehensive income for the period: Exchange differences on translating foreign operations		(575)	(362)	(318)	(301)
Total comprehensive income for the period attributable to owners of the Company		13,133	11,181	4,837	7,130
Earnings per share – Basic and diluted	10	RMB5.43 cents	RMB4.57 cents	RMB2.04 cents	RMB2.94 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	<b>Audited</b>
		<b>At 30 June</b>	<b>At 31 December</b>
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	12	91,071	33,456
Deposit paid for acquisition of leasehold land and buildings		—	3,000
<b>Total non-current assets</b>		<b>91,071</b>	<b>36,456</b>
<b>Current assets</b>			
Inventories		156	76
Trade and other receivables	13	10,698	6,873
Deposits and prepayments		5,357	3,179
Investments held for trading		8,000	8,000
Cash and cash equivalents		111,633	161,883
<b>Total current assets</b>		<b>135,844</b>	<b>180,011</b>
<b>Total assets</b>		<b>226,915</b>	<b>216,467</b>
<b>Current liabilities</b>			
Trade and other payables	14	8,603	13,267
Deferred revenue		49,479	49,647
Tax payable		2,756	2,557
<b>Total current liabilities</b>		<b>60,838</b>	<b>65,471</b>
<b>Net current assets</b>		<b>75,006</b>	<b>114,540</b>
<b>Total assets less current liabilities</b>		<b>166,077</b>	<b>150,996</b>
<b>Non-current liabilities</b>			
Deferred revenue		8,476	6,528
Deferred tax liabilities		355	355
<b>Total non-current liabilities</b>		<b>8,831</b>	<b>6,883</b>
<b>Total liabilities</b>		<b>69,669</b>	<b>72,354</b>
<b>NET ASSETS</b>		<b>157,246</b>	<b>144,113</b>
<b>Equity attributable to owners of the Company</b>			
Share capital		26,128	26,128
Reserves		131,118	117,985
<b>TOTAL EQUITY</b>		<b>157,246</b>	<b>144,113</b>

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

**For the six months ended 30 June 2011**

	Reserves						Total equity
	Share capital	Share premium	Exchange reserve	General reserve	Merger reserve	Retained profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2010</b>	26,128	44,939	(3,683)	14,107	24,598	27,586	133,585
Profit for the period	—	—	—	—	—	11,543	11,543
Other comprehensive income	—	—	(362)	—	—	—	(362)
Total comprehensive income	—	—	(362)	—	—	11,543	11,181
Interim dividend	—	—	—	—	—	(11,018)	(11,018)
<b>Balance at 30 June 2010</b>	<u>26,128</u>	<u>44,939</u>	<u>(4,045)</u>	<u>14,107</u>	<u>24,598</u>	<u>28,111</u>	<u>133,748</u>
<b>Balance at 1 January 2011</b>	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
<b>Balance at 30 June 2011</b>	<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>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	10,092	12,135
Net cash outflows from investing activities	(60,342)	(514)
Increase in cash and cash equivalents	(50,250)	11,621
Cash and cash equivalents at 1 January	161,883	132,362
Cash and cash equivalents at 30 June	111,633	143,983

## 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 Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

#### (a) Adoption of new/revised HKFRSs

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to its operation 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 period.

#### (b) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 7  
HKFRS 9

Disclosures - Transfer of Financial Assets<sup>1</sup>  
Financial Instruments<sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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



### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The 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 GEM of the Stock Exchange (the "GEM Listing Rules").

#### (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.

### 4. 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		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maintenance service				
and usage fees	28,888	22,327	14,771	10,967
Information service fees	19,762	21,853	10,074	10,930
Sale of computer software	6,870	9,180	3,403	4,651
Others	894	907	87	725
	<u>56,414</u>	<u>54,267</u>	<u>28,335</u>	<u>27,273</u>

## 5. SEGMENT REPORTING

The Group determines its operating segments based on the strategic reports prepared and reviewed by the key management team members.

### (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 4.

### (b) Geographical information

All operating assets and operations of the Group during the six months ended 30 June 2011 and 2010 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 2011 and 2010.

## 6. OTHER INCOME

	Unaudited			
	Six months ended		Three months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Value added tax refund				
(Note (i))	5,201	5,288	2,740	2,775
Subsidy income (Note (ii))	1,499	730	290	730
Interest income	1,039	1,103	212	344
Sundries	37	94	6	61
	<u>7,776</u>	<u>7,215</u>	<u>3,248</u>	<u>3,910</u>

Notes:

- (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.
- (b) Subsidy income for the six months and three months ended 30 June 2011 mainly represented a subsidy of RMB1.2 million granted by Shanghai Municipal Development and Reform Commission to a PRC subsidiary to finance its development of a software product, and subsidies of approximately RMB299,000 granted by Shanghai Finance Bureau to finance the PRC subsidiaries' development of advanced technology and was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government last year.

## 7. OTHER GAINS AND LOSSES

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of investments held for trading	85	146	—	22
	<u>85</u>	<u>146</u>	<u>—</u>	<u>22</u>

## 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	2,727	1,914	1,608	980
	<u>2,727</u>	<u>1,914</u>	<u>1,608</u>	<u>980</u>

## 9. INCOME TAX

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC foreign enterprise income tax	1,612	805	550	385
	<u>1,612</u>	<u>805</u>	<u>550</u>	<u>385</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.

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 (“Qianlong Network”), a PRC operating subsidiary of the Company set up in February 2007 in Pudong Shanghai, is entitled to a preferential enterprise income tax rate of 20% for the year ended 31 December 2009. During the year, Qianlong Network has obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the enterprise income tax at the concessionary rate of 12.5% for 2 years from 2010 to 2011 according to the Circular Caishui (2008) No.1 issued by the Treasury and National Tax bureau in 2010.

Shanghai Qianlong Advanced Technology Company Limited (“Qianlong Advanced”), a PRC operating subsidiary of the Company, which is engaging in advanced technology operation continued to enjoy the preferential enterprise income tax rate of 15% for the year of 2010 according to Session 111 of the National Enterprise Income Tax Law in 2008. Qianlong Advanced is in the process for renewal of the High Technology Enterprises Certificate for the six months ended 30 June 2011. The enterprise income tax rate for Qianlong Advanced is 25% until Qianlong Advanced obtains the renewal certificate.

#### **10. EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months and three months ended 30 June 2011 is based on the profit attributable to owners of the Company of RMB13,708,000 (2010: RMB11,543,000) and RMB5,155,000 (2010: RMB7,431,000) and 252,600,000 (2010: 252,600,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months and three months ended 30 June 2011 and 2010 are the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue for these periods.

#### **11. DIVIDENDS**

The Board does not recommend the payment of any dividends attributable to the six months ended 30 June 2011. An interim dividend of HK\$0.05 (equivalent to approximately RMB0.044) per share was declared for the first quarter from 1 January 2010 to 31 March 2010.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building <i>RMB' 000</i>	Leasehold improve- ments <i>RMB' 000</i>	Computer equipment <i>RMB' 000</i>	Furniture, fixtures and office equipment <i>RMB' 000</i>	Total <i>RMB' 000</i>
<b>Cost:</b>					
At 1 January 2011	34,455	5,641	6,669	933	47,698
Additions	59,342	—	974	26	60,342
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2011	93,797	5,641	7,643	959	108,040
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation:</b>					
At 1 January 2011	6,590	3,142	4,135	375	14,242
Charge for the period	1,245	689	697	96	2,727
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2011	7,835	3,831	4,832	471	16,969
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Carrying amount:</b>					
At 30 June 2011 (unaudited)	85,962	1,810	2,811	488	91,071
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2010 (audited)	27,865	2,499	2,534	558	33,456
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 13. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2011 <i>RMB' 000</i>	Audited 31 December 2010 <i>RMB' 000</i>
Trade receivables	7,126	4,199
Less: allowance for doubtful debts	(194)	(194)
	<hr/>	<hr/>
Trade receivables – net	6,932	4,005
Other receivables	3,766	2,868
	<hr/>	<hr/>
	10,698	6,873
	<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 2011, the Group's trade receivables of about RMB194,000 (2010: RMB 194,000) 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. The Group does not hold any collateral over these balances.
- (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:

	<b>Unaudited</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	<b>Audited</b> <b>31 December</b> <b>2010</b> <i>RMB'000</i>
Within 1 month	4,553	2,875
1 to 3 months	1,017	1,020
More than 3 months but less than 12 months	1,354	99
More than 12 months	8	11
	<u>6,932</u>	<u>4,005</u>

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

#### 14. TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	<b>Audited</b> <b>31 December</b> <b>2010</b> <i>RMB'000</i>
Trade payables	2,153	2,437
Receipts in advance	604	463
Other payables	3,263	3,042
Accruals	2,583	7,325
	<u>8,603</u>	<u>13,267</u>

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

	<b>Unaudited</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	<b>Audited</b> <b>31 December</b> <b>2010</b> <i>RMB'000</i>
Within 1 month	1,116	1,531
1 to 3 months	974	718
More than 3 months but less than 12 months	55	180
More than 12 months	8	8
	<u>2,153</u>	<u>2,437</u>

- (a) All other payables and accruals are expected to be settled within one year.
- (b) The directors consider that the carrying amount of trade and other payables approximates their fair value.

#### 15. OPERATING LEASE ARRANGEMENTS

At 30 June 2011, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2011</b> <i>RMB'000</i>	<b>Audited</b> <b>31 December</b> <b>2010</b> <i>RMB'000</i>
Within one year	1,686	1,737
In the second to fifth years inclusive	381	415
	<u>2,067</u>	<u>2,152</u>

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

#### 16. RELATED PARTY TRANSACTIONS

The Group does not have any material related party transactions in the six months ended 30 June 2011.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

For the six months ended 30 June 2011, the Group reported a turnover of RMB56,414,000, representing an increase of RMB2,147,000 as compared with RMB54,267,000 for the same period of the previous year. This increase is mainly due to increase in maintenance service and usage fees for the period.

For the six months ended 30 June 2011, the Group has recorded revenue of RMB28,888,000 from maintenance service and usage fees representing an increase of 29.39% from the same period of last year (2010: RMB22,327,000). Income from information service fee was RMB19,762,000 representing a decrease of 9.57% from the same period of last year (2010: RMB21,853,000). The income from sale of computer software was RMB6,870,000 representing a decrease of 25.16% from the same period of last year (2010: RMB9,180,000). The other income was RMB894,000 (2010: RMB907,000).

The Group recorded a net profit attributable to owners of the Company of RMB 13,708,000 for the six months ended 30 June 2011, representing an increase of 18.76% as compared with RMB11,543,000 for the same period of the previous year.

The basic and diluted earnings per share was RMB 5.43 cents (2010: RMB 4.57 cents).

### **Business summary and prospects**

Since beginning of this year, the stock markets in both Shenzhen and Shanghai have been stagnating and the core value competitiveness of securities houses has become more important and obvious during this period. In response, Qianlong has made further efforts on the development of new products in meeting the requirements of the securities houses.

Focusing on the needs of these high-end brokerage customers, Qianlong Golden Eyes, which has had great success with individual users market, has been introduced to securities houses. With an accurate trend monitoring function, Qianlong Golden Eyes provides a good forecast of the market trend and opportunity changes. After the introduction to securities houses, Golden Eyes has greatly enhanced the service level of the investment consultant and brokerage account managers. At the same time it has had positive impact on the customers' buy/sell transactions. The product has been well received by securities houses initially and now is under major promotion.



Securities houses put great importance upon the key point-transaction consignment system. Qianlong seized the opportunity and strengthened its customized Qianlong consignment system for top securities houses, including Shenyn Wanguo, Guotai Jun'an, Huatai, Zhongxin, Guoxin, Orient, CMB international, Nanjing, Hongyuan, Aijian, etc. These securities houses have very high regards for the function, efficiency, security and reliability of Qianlong's related products and have become Qianlong's loyal customers.

Regarding individual consumer products, Qianlong Xi Wei Mi Ma, launched earlier this year, pioneered the application of data mining technology to the field of securities analysis and achieved satisfying market results. The second stage of this functional development will be completed soon and will provide stock investors better analysis function and application experience.

Palm Qianlong, aiming at mobile phone users, has developed a complete series covering all the operating systems for the mobile phones and laptops, and is becoming an important part of the mobile securities market. Different from those normal mobile securities functions which mainly disclose the basic stock-related information, Palm Qianlong has replicated the same function in PC to the mobile phone and provides better and more strategic analysis and professional information to end-users. Palm has already become an essential tool for many stock traders.

Qianlong has signed a contract with Hong Kong Stock Exchange and is among the first group of free real time information providers of Hong Kong stocks. Under this contract, Qianlong will provide free real time Hong Kong stock information for all stock holders on mobile and internet. This will increase customer loyalty and is value-added to users.

Qianlong is also continuously exploring new market collaboration and has successfully customized a real-time stock price verification system in BMW cars; a symbol of the capability and quality of our products.

## **MAJOR INVESTMENT**

At 30 June 2011, the Company's subsidiary Shanghai Qianlong Advanced Technology Company Limited has held unlisted investment fund of RMB8,000,000 with the term of 90 days and matured on 11 July 2011.

## **SELLING AND DISTRIBUTION COSTS**

For the six months ended 30 June 2011, the selling and distribution cost was RMB 15,477,000 (2010: RMB20,552,000), representing a decrease of 24.69% mainly due to the decrease of advertising cost of RMB5,950,000.

## **WORKING CAPITAL AND FINANCIAL RESOURCES**

As at 30 June 2011, the Group's cash and cash equivalents was RMB111,633,000 (31 December 2010: RMB161,883,000). Decrease of RMB50,200,000 was mainly due to Shanghai Qianlong Advance Technology Company Limited, a wholly owned subsidiary of the Company has acquired an office building with total consideration of RMB57,300,920 on March 2011. 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 2011 was 397 (2010: 384). 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. In the six months ended 30 June 2011, the total cost for staff (including salary, bonus and other benefits) is approximately RMB17,930,000 (2010: RMB17,745,000).

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2011 and 2010.

## **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 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2011, 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, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests of the Directors and chief executives and their associates in the shares, underlying shares and debentures 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 maintained 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 ( <i>Notes (i) and (ii)</i> )	35,250,000	13.955%
Fan Ping Yi	Corporate ( <i>Notes (i) and (ii)</i> )	24,500,000	9.699%
Yang Ching Shou	Corporate ( <i>Notes (i) and (ii)</i> )	24,500,000	9.699%
Chen Ming Chuan	Corporate ( <i>Notes (i) and (ii)</i> )	18,375,000	7.274%
Yu Shih Pi	Corporate ( <i>Notes (i) and (ii)</i> )	14,875,000	5.889%

### Notes:

- (i) As at 30 June 2011, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 35,250,000 shares, representing a 13.955% interest in the Company. Mr. Fan Ping Yi is the sole shareholder of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou is the sole shareholder 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 June 2011, 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.

## SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2011, in addition to those interests as disclosed above in respect of the Directors, the interests or short positions in the shares and underlying shares of substantial shareholders of the Company as recorded in the register of interests required to be kept by the Company pursuant to 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.

Name	Number of the shares held	Percentage of the Company's issued share capital
Red Coral Financial Limited	35,250,000	13.955%
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:*

- (i) As at 30 June 2011, Mr. Chen Shen Tien is the sole shareholder of Red Coral Financial Limited which holds 35,250,000 shares, representing a 13.955% interest in the Company. Mr. Fan Ping Yi is the sole shareholder of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 9.699% interest in the Company. Mr. Yang Ching Shou is the sole shareholder 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 the chief executives of the Company or their associates) who had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the 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.

## **NOMINATION OF DIRECTORS**

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Company has not set up any nomination committee for the six months ended 30 June 2011.

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 by the Board.

## **AUDIT COMMITTEE**

The Company established an audit committee in 1999 with written terms of reference pursuant to the GEM Listing Rules. The audit committee comprises 3 independent non-executive Directors namely Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Hsieh Billy Shao Ven. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

One of the duties of the audit committee is to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2011 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 six months ended 30 June 2011, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the six months ended 30 June 2011, 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 six months ended 30 June 2011.

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

12 August 2011, Hong Kong