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This document, for which the directors of Qianlong Technology International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover increased by 71.7% to approximately RMB11.9 million
- Net profit attributable to shareholders down by 14.3% to approximately RMB2.1 million
- Basic earnings per share of RMB1.01 cents

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the "Board") of Qianlong Technology International Holdings Limited (the "Company") would like to announce the unaudited quarterly results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2000 together with the comparative unaudited figures for the corresponding period in 1999 as follows:

| | <i>Note</i> | Three Months Ended 31 March | |
|--------------------------------------|-------------|--|----------------|
| | | 2000 | 1999 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| GROUP RESULTS | | | |
| Turnover | 1 | 11,924 | 6,943 |
| Profit before taxation | | 2,711 | 2,905 |
| Taxation | 2 | (578) | (416) |
| Profit after taxation | | 2,133 | 2,489 |
| Dividends | 3 | 0 | 7,463 |
| Basic earnings per share (RMB cents) | 4 | 1.01 | 1.66 |

NOTES:

BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 6 May 1998 under Companies Law (Revised) of the Cayman Islands and through a reorganisation became the holding company of the Group on 2 December 1999. The Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 17 December 1999. The Group has been treated as a continuing entity and accordingly the results of the Group for the periods ended 31 March 1999 and 2000 include the results of the Company and its subsidiaries with effect from 1 January 1999 or since their respective dates of incorporation, where this is a shorter period. In the opinion of the directors, the resulting results give a more meaningful view of the results of the Group as a whole.

1) *Turnover*

The principal activity of the Company is investment holding. The principal activities of the Group are the development and trading of computer software and provision of the related maintenance services.

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

| | Three Months Ended 31 March | |
|---------------------------|--|----------------|
| | 2000 | 1999 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Sale of computer software | 4,605 | 1,462 |
| Sale of Magic Box | 902 | — |
| Maintenance service fees | 6,417 | 5,481 |
| | <u>11,924</u> | <u>6,943</u> |

2) *Taxation*

| | Three Months Ended 31 March | |
|-----------|--|----------------|
| | 2000 | 1999 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Hong Kong | 0 | 0 |
| PRC | 578 | 416 |
| | <u>578</u> | <u>416</u> |

No provision for Hong Kong profits tax has been provided during the periods as the Group has not carried on a trade or business in Hong Kong and is not subject to Hong Kong Profits Tax. The Group's profit is derived mainly from the Group's operating subsidiaries in the PRC. The provision for PRC taxation is based on the estimated taxable income for PRC taxation purpose at the rate applicable to each period.

Shanghai Qianlong was exempted from income tax for two years (1996 and 1997) from the first profitable year of operation and is eligible for and entitled to a 50% tax reduction for the next three years (1998 to 2000). The applicable reduced tax rate on income tax for the period from 1998 to 2000 is 13.5%.

Ningbo Qianlong has obtained approval for an effective tax rate of 11% for 1998 on the basis of its technologically advanced enterprise status. Given the same status, the company's applicable income tax rate for the period from 1999 to 2000 will be 11%.

3) *Dividends*

Dividends for the three months ended 31 March 1999 were RMB\$7,463,352, that represented dividends paid by the subsidiaries to their then owners prior to the Group's reorganisation on 2 December 1999. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not applicable for the subsidiaries declaring the dividend, which have no issued shares.

The directors do not declare any dividends during the three months ended 31 March 2000.

4) *Basic earnings per share*

| | Three Months Ended 31 March | |
|--------------------------------|--|-------------|
| | 2000 | 1999 |
| Earnings per share (RMB cents) | 1.01 | 1.66 |

The companies comprising the Group underwent a reorganization on 2 December 1999 to rationalize the Group's structure in preparation for the listing of the Company's shares on the GEM board of the Stock Exchange. Prior to the new issue and placing of 60,500,000 of new shares on 17 December 1999, and the capitalization issue of 125,000,000 shares, the number of ordinary shares in issue of the Company was 25,000,000.

The calculation of the earnings per share for the first quarter of 1999 is based on the profits attributable to shareholders for the first quarter of 1999 of RMB2,489,000 divided by the total number of 150,000,000 shares in issue and issuable immediately before the new issue and placing of the Company's shares on 17 December 1999.

The calculation of the earnings per share for the first quarter of 2000 is based on the profits attributable to shareholders for the first quarter of 2000 of RMB2,133,000 divided by the outstanding number of 210,500,000 shares during the period ended 31 March 2000.

There were no dilutive potential ordinary shares in issue during the first quarter ended 31 March 2000 and 1999.

BUSINESS REVIEW

The Group has shown a strong sales growth for the first quarter in 2000 attributed to the recovery of the stock market of the PRC since the beginning of the year 2000, and the introduction of new product, Magic Box I in March 2000. For the three months ended 31 March 2000, the Group's turnover was RMB11.9 million, representing a 71.7% increase over the same period of the previous year.

On the other side, the Group has reduced its selling prices to compete with other players since the third quarter of 1999, and the general and administration expenditures increased a lot in the first quarter of 2000. The Group's personnel has been expanded, as the Group set up an office in Hong Kong and a research centre in Taiwan. At the same time, an amount of RMB650,000 has been devoted to the project Qianlong Tian Di. As a result, the Group recorded a profit of RMB2.1 million for the first quarter of 2000, a 14.3% drop as compared with that for the same period of the previous year.

GROUP'S ACHIEVEMENTS AND MARKET POTENTIAL

Network Version

A majority of the Group's Network Version business is derived from the new branches opening of securities house across the PRC. In the first quarter of 2000, the Group sold 50 sets of Network Version to new users with a turnover of RMB1.4 million, representing a 121% increase over the sales amount of the same period of 1999.

Stand-alone Version

Due to the market sentiment recovery of the stock market in the PRC, the Group sold 50,251 sets of Stand-alone Version in the first quarter of 2000 with a turnover of RMB 3.2 million. Compared to the same period of the previous year, the Group enjoyed 286% growth in sales amount, and the sales quantity for the first quarter of 2000 equivalents to 72% of total sales quantity for the whole year of 1999.

The Magic Box Project

After one and a half years' research and development, the Group launched the first product of the Magic Box Project, named the Intelligent Box I, in mid-March of 2000 to the market of the PRC. The Group sold 882 sets of the Intelligent Box I in the first quarter of 2000 with a turnover of RMB0.9 million.

Maintenance Fee

Maintenance fee has remained stable and remain the major revenue contributor to the Group. The Group recorded a total revenue of RMB6.4 million of maintenance fee in the first quarter of 2000, representing 17% growth over that of the same period of 1999 and primarily attributable to the accumulated users of Network Version base. The total number of Network Version users reached around 2,750 as at 31 March 2000.

PROSPECTS

The Group expects to achieve continuous sales growth in the coming year, as the customer base of Network Version is solid and expanding with stable revenue in form of maintenance fee to the Group, and the intelligent Box I is expected to bring substantial sales growth to the Group.

The Group is aimed at becoming a market leader in the provision of digital computing solution in the PRC. To meet this goal, the Group will take the following steps:

- continue to upgrade the existing products in the securities analysis software segment.
- continue to implement the Magic Box Project, develop the Intelligent Box II, and develop other new products with the assistance of the research and development center in Taiwan.
- continue to implement Qianlong Tian Di project, an outlet network across the PRC with the Group's brand mark so as to enhance after-sale service, strengthen sales network, and upgrade the Group's brand image.
- seek opportunities of investing in potential companies in the PRC, Taiwan and Hong Kong engaged in the fields of IT industry, internet, and e-commerce.

BUSINESS OBJECTIVE COMPARISON

The detail of the business progress of the Group with comparison of the "Statement of Business Objective" in the Prospectus dated 7 December 1999 (the "Prospectus") is as follow:

Sales and Marketing

The Group continues to carry out its plan to establish its own channels to achieve effective maintenance and value added service as well as motivate the existing agents to promote the Group's products.

The Group has started project Qianlong Tian Di since the fourth quarter of 1999, a wholly owned subsidiary company, Worry-Free Consulting (Shanghai) Limited ("Worry-Free") will be formally established in May 2000 to target for carrying out the plan of Qianlong Tian Di. The first retail outlet located at Hongqiao, Shanghai was opened on 29 March 2000, and now is on trial run. The Group is aiming to set up a software network through Worry-Free across the PRC not only to strengthen the service and promote its own products, but also to provide services/training for other software.

The total costs for the opening of the first outlet were approximately RMB 2 million up to March 2000, including pre-operating expenses of RMB 0.65 million and fixed assets/decoration/equipment of RMB1.35 million, funded by the listing proceeds. The actual schedule for opening new outlets is behind the schedule mentioned in the Prospectus due to the following reasons:

- 1) The Group is cautiously reviewing and choosing ideal locations;
- 2) The Group is negotiating with/seeking for potential software makers to provide reputable software, so that Qianlong Tian Di could offer broader and various products to the end-users; and
- 3) The Group would like to gain some market responses and experience first, and make evaluation/review of the whole plan.

Deployment of Human Resources

During the first quarter of 2000, the Group recruited 35 staff for the expansion plan of the Group in Hong Kong, Shanghai and Taipei office, which comprises 15 staff in sales and marketing, 9 professional staff in maintenance service and technical support, 10 staff in finance and administrative and 1 research and development engineer. The business progress of deployment in human resource in the first quarter of 2000 was generally in line with the information as provided in the Prospectus, except the staff in maintenance service and technical support division that was increased only 9 professionals because of the total number of retail outlets was only one as at 31 March 2000. The following table illustrates the breakdown of total headcount of the Group at 31 March 2000:

| | Planned Staff Level for 2000/6/30 | Actual Staff as at 2000/3/31 | Actual Staff as at 1999/12/31 |
|---|--|---|--|
| Sales and marketing | 34 | 29 | 14 |
| Maintenance service and technical support | 52 | 23 | 14 |
| Finance and administrative | 37 | 27 | 17 |
| Research and development | 16 | 16 | 15 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>139</u> | <u>95</u> | <u>60</u> |

Product Development

The Group launched the initial product of the Magic Box Project, named the Intelligent Box I in March 2000 as in line with the schedule mentioned in the Prospectus. The Intelligent Box I is able to be connected with a cable or wireless networked television to provide investors with analytical tools. The Intelligent Box I has received good response from the market, and the Group sold 882 sets in one month period of March 2000.

The Group has completed the test of Window version for Stand-alone version. The product named Forever Winner is scheduled to be launched and intensive promotion to be made in the second quarter of 2000 as in line with the schedule.

The Group has continued to actively promote the Millennium Winner, which was launched in the last quarter of 1999 and used by small-sized securities houses.

The development of Window CE version for operating in mobile computing devices like palm-top and sub-notebooks has been in advanced stage. The Group is currently running a test program and gathering market response, and plans to introduce this new product in the second half of 2000.

Research and Development

The Group with its research and development team, is continuously upgrading its software versions for DOS system and newly introduced Window version.

The Group set up a research and development center in Taiwan in the first quarter of 2000. Up to 31 March 2000, HK\$600,000 has been used for the establishment of this center, and 3 staff including 2 research professionals have been recruited. The objective of the research center is to develop a series of products of the Magic Box Project. Currently, the research center is developing the Intelligent Box II, which is expected to be introduced in the fourth quarter of 2000. The Group intends to recruit more professionals to work with the research and development center in Taiwan.

USE OF PROCEEDS OF SHARE OFFER

On 17 December 1999 the Company raised net proceeds of HK\$49.6 million through the initial public offering of the shares of the Company. Up to 31 March 2000, part of the proceeds were used to set up a research and development center in Taiwan (HK\$0.6 million), to accommodate the Group's working capital (HK\$4 million), and to implement project Qianlong Tian Di (HK\$1.9 million). Cash and bank balance of the Group as at 31 March 2000 were RMB87.5 million equivalent, representing the unused proceeds of the initial public offering and funds generated from the Group's operation.

DIRECTORS' INTEREST IN SECURITIES

As at 31 March 2000, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

| Name of directors | Number of shares held | |
|---------------------|---------------------------|-------------|
| | Type of interest | Total |
| Chen Shen Tien | Corporate (<i>Note</i>) | 122,500,000 |
| Fan Ping Yi | Corporate (<i>Note</i>) | 122,500,000 |
| Wang Chen Yu, Cycle | Personal | 3,750,000 |
| Du Hao | Personal | 1,875,000 |
| Chen Si Yuan | Personal | 1,875,000 |
| Chen Ming Chuan | Corporate (<i>Note</i>) | 122,500,000 |
| Yu Shih Pi | Corporate (<i>Note</i>) | 122,500,000 |

Note: At 31 March 2000, Messrs. Chen Shen Tien, Fan Ping Yi, Chen Ming Chuan and Yu Shih Pi were substantial shareholders of Willing Systems Corporation ("Willing") which beneficially held 122,500,000 shares representing 58.19% interest in the Company.

Save as disclosed above, none of the Directors or their associates had any interests in the share capital of the Company or its associated corporations (as defined in the SDI Ordinance).

The interests of the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) in the share capital of the Company are the same as disclosed above.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the period ended 31 March 2000 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2000, 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 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

| Name | Number of the shares held (Note) |
|-----------------------------|---|
| Qianlong Technology Inc. | 122,500,000 |
| Willing Systems Corporation | 122,500,000 |

Note: Qianlong Technology Inc. is a wholly owned subsidiary of Willing and Willing is taken to be interested in 122,500,000 shares which is the same parcel of shares registered in the name of Qianlong Technology Inc.

SPONSOR'S INTERESTS

The associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of the Company's sponsor, Core Pacific - Yamaichi International (H.K.) Limited ("CPYI"), were interested in 2,800,000 shares of HK\$0.10 each in the share capital of the Company as at 31 March 2000.

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), as at 31 March 2000, neither CPY nor its directors or employees, had any interests in the share capital of the Company.

Pursuant to the agreement dated 6 December 1999 entered into between the Company and CPY, CPY has received and will receive a fee for acting as the Company's retained sponsor for the period from 17 December 1999 to 31 December 2001.

COMPETING INTERESTS

Willing, being management shareholders of the Company, is engaged in the development and distribution of securities analysis software to provide real time and non real time securities trading information and technical analysis on the securities traded on Taiwan Stock Exchange. During the three months ended 31 March 2000, Willing recorded the unaudited turnover and net loss NT\$538,835, NT\$1,006,439, respectively.

Note: At 31 March 2000, Messrs. Chen Shen Tien, Fan Ping Yi, Chen Ming Chuan and Yu Shib Pi, who are Directors, were also directors of Willing.

AUDIT COMMITTEE

The Group has established an audit committee in 1999. The committee has constantly made its duties to review and supervise the financial reporting process and internal control system of the Group, and to provide advice and comments to the board of directors of the Company.

THE YEAR 2000 PROBLEM

As at the current reporting date, the Group has been successful in ensuring that the date change from 1999 to 2000 did not affect the Group's operations and financial results, nor that the systems of third parties with which the Group does business have an adverse effect on the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 March 2000 neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

On behalf of the Board
Chen Shen Tien
Chairman

Hong Kong, 15 May 2000