

ANNUAL REPORT 2000-2001



QIANLONG TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

钱龙

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EXECUTIVE DIRECTORS

Chen Shen Tien
Fan Ping Yi
Wang Chen Yu, Cycle
Du Hao
Chen Si Yuan

NON-EXECUTIVE DIRECTORS

Chen Ming Chuan
Yu Shih Pi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu Chi Chen, Franklin
Chiu Kam Hing, Kathy

SECRETARY

Chan Yik Wang, Andrew

PRINCIPAL BANKERS

In The People's Republic of China:
Industrial and Commercial Bank of China
Bank of China, Shanghai Branch

In Hong Kong:

The Hongkong and Shanghai Banking Corporation, Limited,
Shanghai Commercial Bank Limited

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd
Butterfield House
Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2, 27th Floor
Lippo Centre Tower 1
89 Queensway
Admiralty
Hong Kong



GROUP RESULTS

	Year Ended 31 December	
	2000	1999
	RMB'000	RMB'000
GROUP RESULTS		
Turnover	46,713	33,885
Profit before taxation	7,400	13,653
Taxation	(2,355)	(1,687)
Profit after taxation	5,045	11,966
Dividends	4,462	28,019
Basic earnings per share (RMB cents)	2.40	7.85

BASIC EARNINGS PER SHARE

	Year Ended 31 December	
	2000	1999
Earnings per share (RMB cents)	2.40	7.85

The calculation of earnings per share for the year 2000 is based on the combined profit attributable to shareholders for the year ended 31 December 2000 of RMB5,045,000 divided by the total number of shares of 210,500,000, which had been unchanged since the Company was listed on GEM on 17 December 1999.

The companies comprising the Group underwent 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 year 1999 is based on the combined profit attributable to shareholders for the year ended 31 December 1999 of RMB11,966,000 divided by the weighted average number of 152,486,301 shares, assumed to be in issue during the year. The weighted average number of shares is calculated based on the proforma 150,000,000 shares in issue and issuable, comprising 25,000,000 shares in issue immediately before the new issue and placing on 17 December 1999 and 125,000,000 shares issued pursuant to the capitalization issue, and the total number of shares of 210,500,000 in issue as at 31 December 1999.

There were no dilutive potential ordinary shares in issue during the years ended 31 December 1999 and 2000.

DIVIDENDS

The board of directors proposes to distribute RMB4,462,000 (HKD4,210,000 or HKD 2 cents per share) to shareholders from the profit attributable to shareholders during the year ended 31 December 2000. Also, the Company plans to close the register of members during 7 April 2001 to 12 April 2001, both days inclusive.

TURNOVER BREAKDOWN BY PRODUCT CATALOGUE

	2000		1999	
	RMB'000	%	RMB'000	%
Network Version	7,580	16	2,701	8
Stand-alone Version	13,217	28	7,777	23
Maintenance Fee	25,853	55	23,407	69
Others	63	1	0	0
	<u>46,713</u>	<u>100</u>	<u>33,885</u>	<u>100</u>

GROUP'S ASSETS AND LIABILITIES

	2000 RMB'000	1999 RMB'000
Non-current assets		
Fixed assets	9,667	9,127
Other non-current assets	5,149	1,600
	<u>14,816</u>	<u>10,727</u>
Current assets		
Inventories	1,564	649
Investments	6,000	—
Trade and other receivables	24,702	5,492
Cash and cash equivalents	66,236	92,600
	<u>98,502</u>	<u>98,741</u>
Current liabilities		
Trade and other payables	21,823	23,142
Taxation	476	327
Dividends payable	4,462	67
	<u>26,761</u>	<u>23,536</u>
Net Current Assets	<u>71,741</u>	<u>75,205</u>
Minority interests	<u>19</u>	<u>—</u>
Net assets	<u>86,538</u>	<u>85,932</u>
Share capital	22,420	22,420
Reserves	64,118	63,512
	<u>86,538</u>	<u>85,932</u>



On behalf of the Board of Directors, I am pleased to present the annual report of Qianlong Technology International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2000.

BACKGROUND

The year 2000 is the first full year of operation of the Group after the listing of the shares of Qianlong Technology International Holdings Limited on 17 December 1999 on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. During the year, the Group still kept its leading position in the segment of securities analysis software, providing the most advance and reliable IT solution to the investors in the region, and successfully implemented the Magic Box Project, and launched new product of Intelligent Box I in March 2000 with good market response. In addition, the Group was expanded with the set up of a Research and Development Centre in Taiwan and has started the Project Qianlong Tian Di by setting up Worry-Free Consulting (Shanghai) Limited for sales channel establishment in the People's Republic of China (the "PRC"). Therefore, 2000 is a year of important change to the Group. The listing of shares of the Company on the GEM was a definitive milestone for the development of the Group. We will continue to apply our digital information computing experience to other IT areas, and establish strong sales network across the PRC, and thereby cater more efficiently to the needs of investors public in the PRC. The overall objective of the Group is to become a market leader in the provision of digital information computing solution in the PRC. To meet the goal of strengthening its position as a market leader in the securities analysis software sector, the Group will initiate different strategy to implement its business objectives.

BUSINESS REVIEW

For the year ended 31 December 2000, the Group reported a turnover of RMB 46,713 thousand, representing an increase of 38% over the previous year. The sales growth was attributed primarily to the continuously upgraded products of the Group, the introduction of the new product, Intelligent Box I, and the bullish stock market of the PRC.

On the other side, net profit attributable to shareholders for the year amounted to RMB5,045 thousand, representing 58% down compared to the previous year. Nevertheless, Shanghai Qianlong Advanced Technology Company Limited and Ningbo Qianlong Computer Software Company Limited, the Group's two major wholly-owned subsidiaries, together still achieved 56% combined profit growth in 2000. The reduction in over-all profit of the Group in 2000 was due to the following reasons: 1) pricing strategy adjustment of stand-alone version of securities analysis software to expand the individual users base in the PRC, 2) general and administration expenses increased substantially due to the Group's regional expansion, personnel recruitment,





and office relocation for the Group's subsidiary, Shanghai Qianlong Advanced Technology; 3) marketing expenses rose due to the introduction of Intelligent Box I and other new products; 4) Worry-Free Shanghai, a wholly-owned subsidiary of the Group, was set up in early 2000 to carry out the project "Qianlong Tian Di", which is still at its initial stage; and 5) some of the Group's strategic investments are also at start-up stage.

PROSPECTS

With the renowned brand name, solid business base in the PRC through years of efforts, and strengthened financial position with the listing of shares of the Company, 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 plans to take the following steps;

- continue to upgrade the existing products in the securities analysis software segment
- introduce the second product of Magic Box Project, Intelligent Box II in mid-2001
- seeking new business opportunities in Taiwan through Worry-Free Taipei branch
- enhancing the function of Worry-Free Shanghai by acceleration of strengthen sales channel and distribution network across the PRC
- seek opportunities of investing in IT companies in the PRC, Taiwan, and Hong Kong

The directors believe the prospects for the Group are positive and bright.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2000, the Group had total assets of RMB113.3 million, which were financed by current liabilities of RMB26.8 million and shareholders' equity of 86.5 million. The Group had a working capital ratio of approximately 3.7 :1. At 31 December 2000, the Group had no short-term or long-term bank loans, and cash and cash equivalents totaled RMB66.2 million. The directors believe that the Group has a strong financial position through the initial public offering of the shares of the Company and continuously profitable operation of the subsidiaries in the PRC.

APPRECIATION

On behalf of the Board, I wish to thank the management and staff for their dedication and contribution during the year.

Chen Shen Tien
Chairman

Hong Kong
16 March 2001



EXECUTIVE DIRECTORS

Mr. Chen Shen Tien, aged 43, is the chairman of the Group. He is responsible for the Group's overall strategic planning and the relationship development of potential business opportunities. Mr. Chen has over 6 years experience in the IT industry.

Mr. Fan Ping Yi, aged 42, is the vice chairman of the Group. He is one of the founders of the Group. He is responsible for the Group's overall strategic planning and its implementation. Mr. Fan has over 16 years of experience in the IT industry. Before joining the Group, Mr. Fan held senior management position in various software houses in Taiwan.

Mr. Wang Chen Yu, Cycle, aged 42, is the managing director of the Group. He joined the Group in January 1995 and is responsible for the marketing, business development, and management of the Group's business in PRC. He holds a bachelor's degree in mathematics from Shoochow University in the ROC. Mr. Wang has over 16 years of experience in the IT industry. Before joining the Group, Mr. Wang held senior management positions in various computer companies in Taiwan, Germany and PRC.

Mr. Du Hao, aged 32, is the director and deputy general manager of the Group and is responsible for product research and development and general administration of the Group. He joined the Group in 1993 and has over 7 years of product research and development experience. He holds a master of science degree in electronic engineering from Fudan University.

Mr. Chen Si Yuan, aged 38, is the director and head of research and development department, and is responsible for product research and development of the Group. He joined the Group in 1994 and has over 6 years of product research and development experience. He holds a master degree in electronic engineering from Fudan University.

NON-EXECUTIVE DIRECTORS

Mr. Chen Ming Chuan, aged 36, is the vice-president of research and development department in Willing of Taiwan. Mr. Chen has engaged in the IT industry over 16 years with intensive experience in development of securities analysis software.

Mr. Yu Shih Pi, aged 38, is the vice-president of Willing and the chairman of All Can Technology Co., Ltd in Taiwan. Mr. Yu held senior management positions in various computer companies before joining the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chi Chen, Franklin, aged 54, is currently the president of Information Corporation in Taiwan. Mr. Yu is a Certified Public Accountant under the American Institute of Certified Public Accountants. Before joining the Group, Mr. Yu held various senior positions in the newspaper industry in the USA and Taiwan.

Ms. Chiu Kam Hing, Kathy, aged 52, has over 30 years of banking experience in Canada and Asia Pacific region. Ms. Chiu was senior vice president at the Republic National Bank of New York and was responsible for the management and investment of third party clients' funds. Ms. Chiu also serves as member to the board of trustees of the Lord Wilson heritage Committee, ex-officer of the Brewin Trust Fund Committee and Gratham Scholarships Fund Committee. Ms. Chiu has honors awarded for Justice of Peace.

SENIOR MANAGEMENT

Mr. Chen Wei Ping, aged 43, is the manager of administration department responsible for the general administration of the Group. He joined the Group in 1994 and has 7 years of experience in general administration.

Mr. Zhao Bing, aged 35, is the manager of sales and marketing management department responsible for sales and marketing planning of the Group. He joined the group in 1994 and has over 3 years of experience in sales and marketing planning. He holds a master degree in marketing management.

Ms. Ma Li Juan, aged 36, is the manager of accounting department of the Group. She joined the Group in 1994 and has over 9 years of experience in accounting. She holds an associate degree from the Shanghai Institute of Textile Industry.

Ms. Yang Ren Ru, aged 32, is the manager of human resources department of the Group responsible for human resources management of the Group. She joined the Group in 1994 and has over 6 years of experience in human resources management. She holds a bachelor's degree in Wireless Technology from the Shanghai University.

QUALIFIED ACCOUNTANT

Mr. Ip Pui Lam, Arthur, aged 39, is the qualified accountant of the Group. He has over 10 years of experience in accounting and finance. He joined the Group in 2000. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Society of Accountants.



Company'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 houses across the PRC. In 2000, the Group's turnover of Network Version recorded a substantial growth of 181% from RMB2,701 thousand in 1999 to RMB7,580 thousand in 2000, primarily attributed to the bullish stock market in the PRC in 2000.

STAND-ALONE VERSION

The Stand-alone Version sales also recorded a growth of 70%, thanks to the strong promotion programs of the Group, the recovery of stock market in the PRC and the launchment of the Group's first new product of Magic Box Project, named the Intelligent Box I.

MAINTENANCE FEE

Maintenance fee in 2000 mildly grew by 10% to reach RMB25,853 thousand, primarily attributable to the accumulated number of users of Network Version. The total number of Network Version users reached 2,900 in 2000, 200 more than that of in 1999. Maintenance fee has remained the major and stable revenue contributor to the Group.



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

SALES AND MARKETING

The Group has started Project Qianlong Tian Di since the fourth quarter of 1999 through Worry-Free and target for carrying out the Project by establishing retail outlets to build up a software distribution network in the PRC for the Group’s products as well as other software products. The first retail outlet located at Hongqiao, Shanghai was opened in March 2000, and formal operation of Worry-Free started in May 2000 . After cautious evaluation and choosing of ideal locations, the second store of Worry-Free, which is located at downtown Shanghai, has started commercial operation since December 2000.

The Directors have assessed the market intelligence and reviewed the performance of Qianlong Tian Di, then decided to formulate the strategy that set up a distribution channel by establishment of both own retail outlets and franchised distributors to increase accessibility for potential clients. The Group will save time and cost by adopting such strategy and promptly response to market demand as and when necessary.

Up to 31 December 2000, the Group has signed franchise agreements with 33 existing sale agents of the Group. The franchised sales agents provide a total of 40 retail stores with the trademark “Qianlong Tian Di” with their stores, and the Group provides those franchised agents with the operational principle of “Qianlong Tian Di”, including technical and after-sale services assistance, co-brand name and incentive programs. The franchised agents who joined the Project primarily provide services to individual end-users while the Group’s own outlets mainly serve corporate users for both the Group’s products and other famous software.

The Group plans to evaluate the existing sale agents in Northern-China, and enter into franchise agreements with qualified sales agents in these areas in 2001.

The Group is aiming to set up a software distribution network through Worry-Free and the franchised sale agents 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 fund spent by Worry-Free was approximately RMB 6.4 million up to 31 December 2000, including operating expenses of RMB 3.9 million , and fixed assets/decoration/equipment of RMB2.5 million, funded by the listing proceeds and the Group’s operating fund.

DEPLOYMENT OF HUMAN RESOURCES

During the year 2000, the Group recruited 77 staff for the expansion plan of the Group in Hong Kong, Shanghai and Taipei offices, which comprise 35 staff in sales and marketing, 11 staff in maintenance service and technical support, 24 staff in finance and administrative and 7 research and development engineers. The business progress of deployment in human resource in 2000 was adjusted upon the newly adopted strategy. The staff number increased by only 77 instead of 146 as originally planned due to the set up of franchised distributors that saved much headcount and manpower cost.

The following table illustrates the breakdown of total headcount of the Group at 31 December 2000:

	Planned Staff Level for 2000/12/31	Actual Staff as at 2000/12/31	Actual Staff as at 1999/12/31
Sales and marketing	52	49	14
Maintenance service and technical support	82	25	14
Finance and administrative	55	41	17
Research and development	17	22	15
	<hr/>	<hr/>	<hr/>
Total	206	137	60

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 derived RMB4.5 million revenue from this new product in the whole year of 2000.

Currently, the Group is developing the Intelligent Box II, which is now at test run stage, and is expected to be introduced in the second half of 2001.

The Group has completed the test of Window version for Stand-alone version. The product named Forever Winner has been launched in the market since May 2000, which is 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 Group launched new and upgraded versions for both Network and Stand-alone Versions in the fourth quarter of 2000.

As for Window CE versions, which are operating in mobile computing devices like palm-top and sub-notebook, the schedule of launching in the market will be re-scheduled as and when the Group considers that the market response is positive.

RESEARCH AND DEVELOPMENT

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

The Group has set up a research and development center in Taipei, Taiwan in the first quarter of 2000. Up to 31 December 2000, HKD6.6 million has been used for the establishment of this center, and 5 staff including 4 research professionals have been recruited. The objective of the research center is to develop a series of products of the Magic Box Project, as well as other new products. The Group will continuously expand Taipei office for advanced research of Magic Box Project.

USE OF PROCEEDS OF SHARE OFFER

On 17 December 1999 the Company raised net proceeds of HKD49.6 million through the initial public offering of the shares of the Company. Up to 31 December 2000, part of the proceeds were used to set up a research and development center in Taiwan (HKD6.6 million), to implement project Qianlong Tian Di (HKD3.95 million), to acquire 99.3% equity interest in Chien Lung Investment Company Limited (HKD3.4 million, please refer to Announcement on GEM Website dated 26th June 2000 for detailed information), to acquire 33.3% equity in Shanghai Gloucester Waalker Investment Management Company Limited (HKD0.94 million), to acquire 30% equity interest in Excite Interactive Media (Cayman) Incorporation (HKD0.47 million), to invest in 49% of Arrow Goal Enterprises Corporation (HKD1.87 million), to set up Worry-Free Taipei branch (HKD2.4 million) and to accommodate working capital need (HKD4 million). Cash and bank balance of the Group as at 31 December 2000 were RMB66.2 million equivalent, representing the unused proceeds of the initial public offering and funds generated from the Group's operation.

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2000.

GROUP REORGANISATION

The Company was incorporated with limited liability under the Companies Law (Revised) of the Cayman Islands on 6 May 1998. Pursuant to a reorganization scheme to rationalize the Group structure in preparation for the listing of the shares of the Company on the Growth Enterprise Market (the "GEM" board) operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 2 December 1999. The Group has been treated as a continuing entity and accordingly, the accompanying consolidated accounts have been presented on the basis set out in Note 1(c) on the accounts.

The shares of the Company were listed on the GEM board on 17 December 1999.

PRINCIPAL ACTIVITIES

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

All of the Group's operation during the year were carried out in the People's Republic of China (the "PRC"). The analysis of the principal activities of the Group during the financial year is as follows:

	2000		1999	
	Group turnover RMB'000	Contribution to profit from operations RMB'000	Group turnover RMB'000	Contribution to profit from operations RMB'000
Sale of computer software	20,797	12,627	10,478	5,971
Provision of maintenance service	25,853	16,018	23,407	14,073
Provision of consulting service	63	63	—	—
	<u>46,713</u>	<u>28,708</u>	<u>33,885</u>	<u>20,044</u>
Other Group expenses net of other income		<u>(20,200)</u>		<u>(6,391)</u>
		<u>8,508</u>		<u>13,653</u>

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchase
The largest customer	6%	
Five largest customers in aggregate	20%	
The largest supplier		20%
Five largest suppliers in aggregate		61%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

ACCOUNTS

The profit of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 23 to 54.

The directors of the Company recommend the payment of RMB4,462,000 (HKD4,210,000 or HKD2 cents per share) in respect of the year ended 31 December 2000.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to RMB230,000 (1999:RMB230,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the year are set out in Note 11 on the accounts.

SHARE CAPITAL

The share capital of the Company had been unchanged during the year.

SHARE OPTION SCHEME

Pursuant to a written resolution passed on 2 December 1999, a share option scheme for employees to purchase ordinary share in the Company was approved. Details of the share option scheme are set out in Note 22(a) on the accounts. No option was granted under the share option scheme during the financial year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

RESERVE

Details of movements in the reserves of the Group and the Company during the year are set out in Note 23 on the accounts.

DIRECTORS

The directors during the financial year were:

Executive directors

Chen Shen Tien, Chairman (*re-elected on 6 May 2000*)

Fan Ping Yi, Vice Chairman (*re-elected on 6 May 2000*)

Wang Chen Yu, Cycle, Managing Director (*re-elected on 6 May 2000*)

Du Hao

Chen Si Yuan

Non-executive directors

Chen Ming Chuan

Yu Shih Pi

Independent non-executive directors

Yu Chi Chen, Franklin

Chiu Kam Hing, Kathy

In accordance with Article 116 of the Company's Articles of Association, Mr. Du Hao, Mr. Chen Si Yuan and Mr. Yu Shih Pi retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Messrs Chen Shen Tien, Fan Ping Yi, Wang Chen Yu, Cycle, Du Hao, and Chen Si Yuan has entered into a service contract with the Company for a term of two years commencing on 1 October 1999, and will continue thereafter until terminated by not less than three months' notice in writing by either party to the other.

Except for the above, none of the directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The non-executive directors were appointed by the board of directors on 8 October 1999 and 2 December 1999 respectively, each to hold office until his or her successor shall be appointed or his or her earlier removal from or vacation of office. Their remuneration is determined by the board of directors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2000, the interests of the Directors, chief executive and their associates in the issued 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 (Note)	122,500,000
Fan Ping Yi	Corporate (Note)	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 (Note)	122,500,000
Yu Shih Pi	Corporate (Note)	122,500,000

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

Apart from the foregoing, none of the directors or chief executive who held office at 31 December 2000 or their associates had any personal, family, corporate or other beneficial interests in the issued share capital of the Company, any of its holding companies or any of their subsidiaries (within the meaning of the Securities (Disclosure of Interest) Ordinance) at that date.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 2 December 1999, the board of directors may at their absolute discretion, grant options to employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 17 December 1999. No options were granted to any directors or employees under the Scheme during the year ended 31 December 2000.

Apart from the foregoing, at no time during the year or up to the date of this report was the Company, its holding companies, or any of their subsidiaries a party to any arrangements to enable the directors or chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 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 <i>(Note)</i>
Willing System Corporation	122,500,000
Qianlong Technology Incorporation	122,500,000
Mr. Chen Shen Tien	122,500,000
Mr. Fan Ping Yi	122,500,000
Mr. Yu Shih Pi	122,500,000
Mr Chen Ming Chuan	122,500,000
Mr Yang Ching Shou	122,500,000

Notes:

- (a) Willing System Corporation beneficially owned 122,500,000 shares which were included in the above mentioned number of shares held by its wholly owned subsidiary, Qianlong Technology Incorporation.
- (b) Each of Messrs Chen Shen Tien, Fan Ping Yi, Yu Shih Pi, Chen Ming Chuan and Yang Ching Shou beneficially owned the 122,500,000 shares held by Qianlong Technology Incorporation as they were majority shareholders of Willing System Corporation which was the holding company of Qianlong Technology Incorporation.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's ultimate holding company, Willing System Corporation, the ultimate holding company agreed to assign its service mark registered in the Republic of China (the "ROC") with remaining registration period expiring November 2007 to the Company for a nominal consideration of USD1. On 23 September 1999 the Company entered into another agreement with the ultimate holding company pursuant to which the Company licensed the use of the service mark in the ROC exclusively to the ultimate holding company for a nominal consideration of USD1 for a period from September 1999 to November 2007.

During the year, a subsidiary entered into an agreement with the ultimate holding company to acquire 33% of the issued capital of Shanghai Gloucester Waalker Investment Management Company Limited at a consideration of USD120,000.

Messrs Chen Shen Tien, Fan Ping Yi, Yu Shih Pi and Chen Ming Chuan are interested in these contracts as shareholders of the ultimate holding company.

During the year, a subsidiary entered into an agreement with a group of third parties to acquire 99.3% of the issued capital of Chien Lung Investment Company Limited ("CLI") at a consideration of NTD13,725,375. By acquiring CLI, the Group has obtained 9.93% interest in Moderntime Financial Information Company Limited ("Moderntime"). Mr Yu Chi Chen, Franklin, an independent non-executive director of the Company, is interested in this transaction as he holds an effective interest of 44.93% interest in Moderntime.

Apart from the foregoing, no contract of significance to which the Company, any of its holding companies or any of their subsidiaries was a party, in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Willing System Corporation, being management and the ultimate 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. For the twelve months period ended 31 December 2000, Willing recorded unaudited turnover and net loss of NTD1,333,077 and NTD1,465,953, respectively.

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

SPONSOR'S INTERESTS

An associate (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"), was interested in 2,904,000 shares of HKD0.10 each in the share capital of the Company as at 31 December 2000.

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("CPY"), as at 31 December 2000, save as disclosed above, neither CPY nor its directors, employees or associates, 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.

AUDIT COMMITTEE

The Group has established an audit committee in 1999, comprising 3 members of Mr. Chen Shen Tien, Mr. Yu Chi Chen, Franklin, and Ms. Chiu Kam Hing, Kathy in compliance with the requirements as set out in Rule 5.23 and 5.24 of the GEM Listing Rules. The committee held a meeting once during the year 2000 and 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.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years, since the incorporation of the Company, is set out on pages 55 and 56.

RETIREMENT SCHEMES

Details of of the Group's retirement schemes are set out in note 25(a) on the accounts.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied throughout the year with the GEM Listing Rules as set out by The Stock Exchange of Hong Kong Limited.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board
Chen Shen Tien
Chairman

16 March 2001

Auditors' report to the shareholders of
Qianlong Technology International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 23 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
Hong Kong, 16 March 2001



Consolidated Profit and Loss Account

for the year ended 31 December 2000
(Expressed in Renminbi)

	Note	2000 RMB'000	1999 RMB'000
Turnover	2	46,713	33,885
Cost of sales		<u>(18,005)</u>	<u>(13,841)</u>
		28,708	20,044
Other revenue	3	7,155	3,141
Distribution costs		(3,569)	(1,660)
Administrative expenses		(23,294)	(7,642)
Other operating expenses		<u>(492)</u>	<u>(230)</u>
Profit from operations		8,508	13,653
Share of losses of associates		<u>(1,108)</u>	<u>—</u>
Profit from ordinary activities before taxation	4	7,400	13,653
Taxation	5(a)	<u>(2,355)</u>	<u>(1,687)</u>
Profit after taxation and attributable to shareholders	8	<u>5,045</u>	<u>11,966</u>
Dividends	9	<u>(4,462)</u>	<u>(28,019)</u>
Earnings per share - basic	10	<u>2.40 cents</u>	<u>7.85 cents</u>

The notes on pages 29 to 54 form part of these accounts.





Consolidated Statement of Recognised Gains and Losses

for the year ended 31 December 2000
(Expressed in Renminbi)

	2000 RMB'000	1999 RMB'000
Exchange differences on translation of the financial statements of foreign entities	<u>23</u>	<u>—</u>
Net gains not recognised in the profit and loss account	23	—
Net profit for the year	<u>5,045</u>	<u>11,966</u>
Total recognised gains and losses	<u>5,068</u>	<u>11,966</u>

The notes on pages 29 to 54 form part of these accounts.





Consolidated Balance Sheet

at 31 December 2000
(Expressed in Renminbi)

	Note	2000		1999	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets	11(a)		9,667		9,127
Goodwill	13		729		—
Interest in associates	14		2,289		—
Investment securities	15		1,331		—
Other non-current asset	16		800		1,600
			<u>14,816</u>		<u>10,727</u>
Current assets					
Inventories	17		1,564		649
Investments	18		6,000		—
Prepaid tax	5(b)		—		1,725
Trade and other receivables	19		24,702		3,767
Cash and cash equivalents	20		66,236		92,600
			<u>98,502</u>		<u>98,741</u>
Current liabilities					
Trade and other payables	21		21,823		23,142
Tax payable	5(c)		476		327
Dividends payable	9		4,462		67
			<u>26,761</u>		<u>23,536</u>
Net current assets			<u>71,741</u>		<u>75,205</u>
Total assets less current liabilities			86,557		85,932
Minority interests			<u>19</u>		—
Net assets			<u><u>86,538</u></u>		<u><u>85,932</u></u>





Consolidated Balance Sheet

at 31 December 2000
(Expressed in Renminbi)

	Note	2000		1999	
		RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves					
Share capital	22		22,420		22,420
Reserves	23(a)		64,118		63,512
			86,538		85,932

Approved by the board of directors on 16 March 2001

Chen Shen Tien
Chairman

Fan Ping Yi
Vice Chairman

The notes on pages 29 to 54 form part of these accounts.



B

alance Sheet

at 31 December 2000
(Expressed in Renminbi)

	Note	2000		1999	
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets	11(b)		254		119
Investments in subsidiaries	12		7,192		2,663
			7,446		2,782
Current assets					
Trade and other receivables	19	1,717		1,141	
Amounts due from subsidiaries		29,326		—	
Cash and cash equivalents	20	51,327		79,289	
		82,370		80,430	
Current liabilities					
Trade and other payables	21	2,408		6,508	
Amounts due to subsidiaries		21,670		21,774	
Dividends payable	9	4,462		—	
		28,540		28,282	
Net current assets			53,830		52,148
Net assets			61,276		54,930
Capital and reserves					
Share capital	22		22,420		22,420
Reserves	23(b)		38,856		32,510
			61,276		54,930

Approved by the board of directors on 16 March 2001

Chen Shen Tien
Chairman

Fan Ping Yi
Vice Chairman

The notes on pages 29 to 54 form part of these accounts.





Consolidated Cash Flow Statement

for the year ended 31 December 2000
(Expressed in Renminbi)

	Note	2000 RMB'000	1999 RMB'000
Net cash (outflow)/inflow from operating activities	24(a)	<u>(14,925)</u>	<u>42,675</u>
Returns on investments and servicing of finance			
Interest received		4,269	1,471
Dividends paid		(67)	(27,952)
		<u>4,202</u>	<u>(26,481)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance			
Taxation			
PRC tax paid		(481)	(2,259)
Investing activities			
Payment for purchase of fixed assets		(3,130)	(1,028)
Payment for purchase of a subsidiary	24(c)	(2,173)	—
Payment for purchase of interest in associates		(3,477)	—
Payment for purchase of held-to-maturity securities		(6,000)	—
		<u>(14,780)</u>	<u>(1,028)</u>
Net cash outflow from investing activities			
Net cash (outflow)/inflow before financing		<u>(25,984)</u>	<u>12,907</u>
Financing			
Proceeds from issuance of new shares of the Company	24(e)	—	52,882
(Decrease)/increase in cash and cash equivalents		<u>(25,984)</u>	<u>65,789</u>
Effect of foreign exchange rates		<u>(380)</u>	<u>—</u>
Cash and cash equivalents at 1 January		<u>92,600</u>	<u>26,811</u>
Cash and cash equivalents at 31 December		<u><u>66,236</u></u>	<u><u>92,600</u></u>
Analysis of the balances of cash and cash equivalents			
Deposits with banks		52,054	—
Cash at bank and in hand		14,182	92,600
		<u><u>66,236</u></u>	<u><u>92,600</u></u>

The notes on pages 29 to 54 form part of these accounts.



(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

(c) Basis of consolidation

- (i) The Company was incorporated in the Cayman Islands on 6 May 1998 under the Cayman Islands Companies Law (Revised) and through a group reorganisation scheme became the holding company of the Group on 2 December 1999. The Company and its subsidiaries resulting from the reorganisation have been regarded as a continuing group. Accordingly, the reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 December 1999.
- (ii) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (iii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the profit and loss account over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet is stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year. Goodwill arising on the acquisition of an associate, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is amortised on a straight-line basis to the consolidated profit and loss account over its estimated useful economic life. The excess of the Group's share of the fair value of the separable net assets acquired over the cost of the investment is credited directly to reserves.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

On disposal of an associate during the year, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Dated debt securities that the Group and/or the Company have the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (iii) Provisions against the carrying value of held-to-maturity securities and investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

- (i) Fixed assets are stated in the balance sheets at cost less accumulated depreciation.
- (ii) The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (Continued)

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(h) Amortisation and depreciation

(i) Buildings

Buildings are depreciated on a straight line basis over the shorter of their estimated useful lives, being 20 years from the date of completion, and the unexpired terms of the leases.

(ii) Other fixed assets

All other fixed assets are depreciated on a straight line basis over the estimated useful lives as follows:

Leasehold improvements	Over the shorter of the unexpired lease term and the estimated useful lives
Computer equipment	3 - 5 years
Furniture, fixtures and office equipment	3 - 5 years
Motor vehicles	5 years

(iii) Goodwill

Goodwill arising on consolidation or on equity accounting is amortised on a straight-line basis over an estimated useful economic life of 5 years.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sale of goods

Revenue arising from sale of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Maintenance service fee income

Maintenance service fees are billed in advance and are recognised as income on a straight line basis over the period of the provision of the related services. The unrecognised portion is recorded as deferred revenue in the balance sheet.

(iii) Consulting service fee income

Consulting service fee are recognised as income on an accrual basis by referring to the stage of completion of the related services.

(iv) Interest income

Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories (Continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(l) Translation of foreign currencies

The Company's and the Group's operating subsidiaries' financial records are maintained and the financial information set out in these accounts are stated in Renminbi ("RMB"). Foreign currency transactions during the year are translated into RMB at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account.

The results of the Group's other subsidiaries are translated into RMB at the average exchange rates for the year; balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

(Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Operating leases

Rental payable under operating leases is accounted for on a straight line basis over the periods of the respective leases.

(n) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research costs and development costs are therefore recognised as expenses in the period in which they are incurred.

(o) Retirement costs

Employees of the Group are either members of life insurance policies managed by an insurance company or a central pension scheme operated by local government. The Group pays the premiums of the life insurance policies on behalf of the employees and makes contributions to the central pension scheme according to the requirements set by local government. The premiums and contributions are charged to profit and loss account when they fall due.

(p) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(Expressed in Renminbi)

2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 12 on the accounts.

Turnover represents the sales value of goods supplied to customers and the maintenance and consulting service fees receivable, net of goods returned, trade discounts, business tax 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 recognised in turnover during the year is as follows:

	2000	1999
	RMB'000	RMB'000
Sale of computer software	20,797	10,478
Maintenance service fees	25,853	23,407
Consulting service fees	63	—
	46,713	33,885

3 OTHER REVENUE

	2000	1999
	RMB'000	RMB'000
Interest income	4,269	1,471
Value added tax refund (notes a and b)	1,117	1,329
Tax refund for re-investment in the PRC	1,351	—
Tax rebates from local government	100	270
Miscellaneous	318	71
	7,155	3,141

Notes:

- (a) During the year ended 31 December 2000, a tax concession was granted by the PRC tax authorities to the Group's PRC subsidiaries as they are engaged in the business of the development and trading of computer software. Under this concession, the PRC subsidiaries were entitled to a refund of value added tax ("VAT") paid in excess of an effective rate of 6% from January to June 2000 and 3% from June 2000 onward. The amount of VAT refund is recognised as other revenue on an accrual basis.

(Expressed in Renminbi)

3 OTHER REVENUE (Continued)

Notes: (Continued)

- (b) With effect from 1 January 1994, the PRC government promulgated a VAT system which replaced the old sales tax system applicable to the Group's PRC subsidiaries. Under the VAT regulations, the Group's PRC subsidiaries are subject to VAT which is calculated at the rate of 17% on the invoiced value of sales ("output VAT"). Output VAT is borne by customers in addition to the invoiced value of sales. VAT paid by the Group on its purchases ("input VAT") is recoverable out of output VAT collected from its customers on its sales.

Under a PRC State Tax Bureau Notice, Guo Shui Fa [1994] No. 115 issued on 21 April 1994, a foreign investment enterprise registered with the State Administration of Industry and Commerce before 1 January 1994 will be entitled to claim back the excess VAT paid over the old sales tax otherwise payable over a five-year period from 1 January 1994 to 31 December 1998. As one of the Group's PRC subsidiaries was registered with the State Administration of Industry and Commerce before 1 January 1994, the subsidiary was entitled to the concession up to 1998.

A VAT refund is only applicable to excess VAT paid at the state when goods are sold or service are provided in the PRC. The amount claimed is credited to the profit and loss account on an accrual basis. The amount of VAT refund recognised as income during the year ended 31 December 1999 was related to the deferred revenue recognised in 1999.

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	2000	1999
	RMB'000	RMB'000
Cost of inventories	5,744	2,331
Staff costs (including retirement costs of RMB947,000 (1999: RMB608,000))	13,536	3,402
Maintenance service expenses	9,835	9,334
Research and development costs	1,471	912
Depreciation	2,604	1,355
Operating lease charges - properties	2,356	911
Auditors' remuneration		
- provision for the year	803	618
- under provision for previous year	68	—
	68	—

(Expressed in Renminbi)

5 TAXATION

- (a) No provision for Hong Kong Profits Tax has been made for the year or the preceding year on the Group's profit as the Group did not earn operating profit subject to Hong Kong Profits Tax. The Group's profits are derived mainly from the Group's operations in the PRC.

The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes for the year at the appropriate current rate of taxation.

There was no material unprovided deferred taxation during the year or the preceding year.

- (b) Prepaid tax in the 1999 consolidated balance sheet represented Foreign Enterprises Income Tax ("FEIT") paid by a PRC subsidiary in respect of the deferred revenue, which was charged to the profit and loss account when the deferred revenue was recognised as income in 2000.

No FEIT has been prepaid in respect of the deferred revenue during 2000 as the PRC subsidiary has obtained approval from the PRC tax authorities to pay FEIT when the revenue has been recognised as income in the accounts.

- (c) Tax payable in the consolidated balance sheet represents FEIT payable by the PRC subsidiaries based on their estimated taxable income for the year at the appropriate current rate of taxation.

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000	1999
	RMB'000	RMB'000
Basic salary, allowances and other benefits	3,828	1,688
Discretionary bonus	673	120
Retirement scheme contributions	49	86
Total remuneration	4,550	1,894

(Expressed in Renminbi)

6 DIRECTORS' REMUNERATION (Continued)

Directors' remuneration disclosed pursuant to section 18.29 of the GEM Listing Rules is as follows:

	2000	1999
	RMB'000	RMB'000
Executive directors	1,617	464
	553	418
	524	304
	514	150
	514	150
	—	108
Non-executive directors	207	102
	207	102
Independent non-executive directors	207	48
	207	48
	4,550	1,894

Each of Messrs Chen Shen Tien, Fan Ping Yi, Wang Chen Yi, Cycle, Du Hao and Chen Si Yuan has entered into a service contract with the company for a term of two years commencing on 1 October 1999. Based on the terms of these service contracts, each of the directors are entitled to a monthly salary, an annual bonus payable on 31 December in each year, which is equivalent to the average of one month's salary earned in the previous twelve months, and gratuitous year end bonus in respect of any financial year of an amount based on a predetermined percentage of the audited consolidated profits after taxation (including deduction of any bonus so paid) and minority interests.

Each of Messrs Chen Shen Tien, Fan Ping Yi, Wang Chen Yi, Cycle, Du Hao and Chen Si Yuan agreed to waive the right to receive the annual bonus and gratuitous year end bonus in respect of the year ended 31 December 1999.

(Expressed in Renminbi)

7 SENIOR MANAGEMENT REMUNERATION

Of the five individuals with the highest emoluments, one (1999: three) is director whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of the other four (1999: two) individuals are as follows:

	2000	1999
	RMB'000	RMB'000
Basic salary, allowances and other benefits	2,916	343
Discretionary bonus	41	62
Retirement scheme contributions	—	86
	<hr/>	<hr/>
Total remuneration	<u>2,957</u>	<u>491</u>

The emoluments of the four (1999: two) individuals with highest emoluments are within the following bands:

	2000	1999
	Number of	Number of
	individuals	individuals
HK\$Nil - HK\$1,000,000	3	2
HK\$1,000,001 - HK\$1,500,000	1	—
	<hr/>	<hr/>

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a profit of RMB10,808,000 (1999: a loss of RMB614,000) which has been dealt with in the accounts of the Company.

9 DIVIDENDS

Dividends in the 2000 consolidated profit and loss account and balance sheets represent the proposed final dividend of RMB2.12 cents (HK\$2 cents) per share (1999: Nil) in respect of the year ended 31 December 2000.

Dividends in the 1999 consolidated profit and loss account and consolidated balance sheet represent dividends paid/payable 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 dividends, which have no issued shares.

(Expressed in Renminbi)

10 EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB5,045,000 (1999: RMB11,966,000) and the weighted average number of 210,500,000 ordinary shares (1999: 152,486,301 shares after adjusting for the capitalisation and new issues in 1999) in issue during the year.

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2000 and 1999.

11 FIXED ASSETS

(a) Group

	Buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2000	780	5,860	1,891	2,018	1,847	12,396
Additions through						
- acquisition of a subsidiary	—	—	—	15	—	15
- others	—	471	1,644	1,015	—	3,130
	<u>780</u>	<u>6,331</u>	<u>3,535</u>	<u>3,048</u>	<u>1,847</u>	<u>15,541</u>
At 31 December 2000	780	6,331	3,535	3,048	1,847	15,541
Accumulated depreciation:						
At 1 January 2000	143	941	869	758	558	3,269
Through acquisition						
of a subsidiary	—	—	—	1	—	1
Charge for the year	35	1,363	415	459	332	2,604
	<u>178</u>	<u>2,304</u>	<u>1,284</u>	<u>1,218</u>	<u>890</u>	<u>5,874</u>
At 31 December 2000	178	2,304	1,284	1,218	890	5,874
Net book value:						
At 31 December 2000	<u>602</u>	<u>4,027</u>	<u>2,251</u>	<u>1,830</u>	<u>957</u>	<u>9,667</u>
At 31 December 1999	<u>637</u>	<u>4,919</u>	<u>1,022</u>	<u>1,260</u>	<u>1,289</u>	<u>9,127</u>

The buildings are located in the PRC and held under long term leases.

(Expressed in Renminbi)

11 FIXED ASSETS (Continued)

(b) Company

	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost:			
At 1 January 2000	40	79	119
Additions	176	38	214
	<u>216</u>	<u>117</u>	<u>333</u>
At 31 December 2000	216	117	333
Accumulated depreciation:			
Charge for the year and at 31 December 2000	43	36	79
	<u><u>43</u></u>	<u><u>36</u></u>	<u><u>79</u></u>
Net book value:			
At 31 December 2000	173	81	254
	<u><u>173</u></u>	<u><u>81</u></u>	<u><u>254</u></u>
At 31 December 1999	40	79	119
	<u><u>40</u></u>	<u><u>79</u></u>	<u><u>119</u></u>

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2000 RMB'000	1999 RMB'000
Unlisted shares, at cost	<u>7,192</u>	<u>2,663</u>

Details of the subsidiaries at 31 December 2000 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and form of incorporation and operation	Percentage of equity held by the Company	held by subsidiary	Particulars of issued/paid up capital	Principal activities
Qianlong Computers Company Limited	The British Virgin Islands ("BVI") (limited company)	100	—	US\$10,000	Investment holding
Ningbo Qianlong Computer Software Company Limited	The People's Republic of China ("PRC") (wholly foreign-owned enterprise)	—	100	US\$210,000	Development and trading of computer software and provision of the related maintenance services
Shanghai Qianlong Advanced Technology Company Limited	PRC (wholly foreign-owned enterprise)	—	100	US\$4,650,000	Development and trading of computer software and provision of the related maintenance services
Worry-free Technology Holdings Limited	BVI (limited company)	100	—	US\$500,000	Investment holding
Worry-free Consulting (Shanghai) Limited	PRC (wholly foreign-owned enterprise)	—	100	US\$500,000	Provision of software consulting services
Qianlong Internet Holdings Limited	BVI (limited company)	100	—	US\$50,000	Investment holding

(Expressed in Renminbi)

12 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and form of incorporation and operation	Percentage of equity held by		Particulars of issued/paid up capital	Principal activities
		the Company	held by subsidiary		
Chien Long Investment Company Limited	The Republic of China (limited company)	—	99.3	NTD7,338,010	Investment holding

13 GOODWILL

	Group	
	2000 RMB'000	1999 RMB'000
Goodwill arising on acquisition of a subsidiary, at cost	911	—
Accumulated amortisation	(182)	—
	<u>729</u>	<u>—</u>

14 INTEREST IN ASSOCIATES

	Group	
	2000 RMB'000	1999 RMB'000
Share of net assets	1,971	—
Goodwill	398	—
Accumulated amortisation of goodwill	(80)	—
	<u>2,289</u>	<u>—</u>

(Expressed in Renminbi)

14 INTEREST IN ASSOCIATES (Continued)

Details of the associates at 31 December 2000 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of associate	Place and form of incorporation and operation	Percentage of equity held by		Particulars of issued/paid up capital	Principal activities
		the Company	held by subsidiary		
Shanghai Gloucester Waalker Investment Management Company Limited	PRC (equity joint venture)	—	33.3%	US\$300,000	Provision of human resources consulting services
Excite Interactive Media (Cayman) Incorporation	The Cayman Islands (limited company)	—	30%	US\$200,000	dormant
Arrow Goal Enterprises Corporation	BVI (limited company)	—	49%	US\$50,000	Investment holding

15 INVESTMENT SECURITIES

	Group	
	2000 RMB'000	1999 RMB'000
Unlisted equity securities, at cost	<u>1,331</u>	<u>—</u>

16 OTHER NON-CURRENT ASSET

The Group has entered into an operating lease agreement in respect of commercial properties in the PRC with a term of 30 years commencing on 31 December 1997. The rent has been fixed at RMB800,000 per annum throughout the whole lease period and the group has made a prepayment of RMB4,000,000 which represents five years' rent, commencing from 31 December 1997. The portion relating to the year from 1 January 2001 to 31 December 2001 has been included in prepayments, deposits and other receivables under current assets and the other non-current asset stated above relates to rental prepayment for the period from 1 January 2002 to 31 December 2002.

(Expressed in Renminbi)

17 INVENTORIES

	Group	
	2000	1999
	RMB'000	RMB'000
Inventories comprise the following:		
Raw materials	591	537
Finished goods	973	112
	<u>1,564</u>	<u>649</u>

All of the above inventories are stated at cost.

18 INVESTMENTS

	Group	
	2000	1999
	RMB'000	RMB'000
Held-to-maturity debt securities maturing within one year of the balance sheet date	6,000	—

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable	1,755	897	—	—
Prepayments, deposits and other receivables	22,947	2,870	1,717	1,141
	<u>24,702</u>	<u>3,767</u>	<u>1,717</u>	<u>1,141</u>

Included in the Group's prepayments, deposits and other receivables is an amount of RMB18 million (1999: Nil) representing deposits with a securities broker.

All the trade and other receivables are expected to be recovered within one year.

*(Expressed in Renminbi)***20 CASH AND CASH EQUIVALENTS**

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits with banks	52,054	—	50,620	—
Cash at bank and in hand	14,182	92,600	707	79,289
	66,236	92,600	51,327	79,289

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	1,132	797	—	—
Other creditors and accruals	5,458	8,620	2,408	6,508
Deferred revenue	15,233	13,725	—	—
	21,823	23,142	2,408	6,508

As at 31 December 1999, included in other creditors and accruals was an amount of RMB5,003,000 due to a director of the Company for advancement of listing expenses. The amount has been fully repaid by the Company during 2000.

Deferred revenue represents maintenance service fees received in advance.

All the trade and other payables are expected to be settled within one year.

(Expressed in Renminbi)

22 SHARE CAPITAL

	2000	1999
	RMB'000	RMB'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>106,510</u>	<u>106,510</u>

Issued and fully paid:

	2000		1999	
	Number of		Number of	
	shares	RMB'000	shares	RMB'000
At 1 January	210,500,000	22,420	2	—
Shares arisen from share Split	—	—	18	—
New shares issued	—	—	85,499,980	9,106
Capitalisation issue	—	—	125,000,000	13,314
	<u>210,500,000</u>	<u>22,420</u>	<u>210,500,000</u>	<u>22,420</u>

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(a) Share option scheme

Pursuant to a written resolution passed on 2 December 1999, a share option scheme for employees was approved and the directors may, at their discretion, invite any employee or executive director of the Group, to take up options to subscribe for shares of the Company.

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company may not (when aggregated with shares subject to any other employees share option scheme) exceed in nominal amount 20 per cent of the share capital of the Company in issue immediately following completion of the offer.

Up to 31 December 2000, no option has been granted to any employees or directors of the Company or any of its subsidiaries under this share option scheme.

- (b) During the year, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

(Expressed in Renminbi)

23 RESERVES

	Share premium (Note i) RMB'000	Exchange reserve RMB'000	General reserve (Note ii) RMB'000	Enterprise expansion fund (Note iii) RMB'000	Retained earnings (Note iv) RMB'000	Merger reserve RMB'000	Total RMB'000
<i>(a) Group</i>							
At 1 January 1999	—	—	5,562	1,541	15,573	—	22,676
Premium on issue of shares	61,861	—	—	—	—	—	61,861
Share issue expenses	(15,423)	—	—	—	—	—	(15,423)
Capitalisation issue	(13,314)	—	—	—	—	—	(13,314)
Surplus on merger	—	—	—	—	—	23,765	23,765
Profit for the year	—	—	—	—	11,966	—	11,966
Transfer between reserves	—	—	191	—	(191)	—	—
Dividends	—	—	—	—	(28,019)	—	(28,019)
At 31 December 1999	<u>33,124</u>	<u>—</u>	<u>5,753</u>	<u>1,541</u>	<u>(671)</u>	<u>23,765</u>	<u>63,512</u>
At 1 January 2000	33,124	—	5,753	1,541	(671)	23,765	63,512
Profit for the year	—	—	—	—	5,045	—	5,045
Exchange differences on translation	—	23	—	—	—	—	23
Transfer between reserves	—	—	127	—	(127)	—	—
Dividends	—	—	—	—	(4,462)	—	(4,462)
At 31 December 2000	<u>33,124</u>	<u>23</u>	<u>5,880</u>	<u>1,541</u>	<u>(215)</u>	<u>23,765</u>	<u>64,118</u>

Included in the figure for the retained earnings is an amount of RMB1,108,000 (1999: Nil) being the accumulated loss attributable to associates.

(Expressed in Renminbi)

23 RESERVES (Continued)

	Share premium (Note i)	Retained earnings (Note iv)	Total
	RMB'000	RMB'000	RMB'000
<i>(b) Company</i>			
At 1 January 1999	—	—	—
Premium on issue of shares	61,861	—	61,861
Share issue expenses	(15,423)	—	(15,423)
Capitalisation issue	(13,314)	—	(13,314)
Loss for the year	—	(614)	(614)
	<u>33,124</u>	<u>(614)</u>	<u>32,510</u>
At 1 January 2000	33,124	(614)	32,510
Profit for the year	—	10,808	10,808
Dividends	—	(4,462)	(4,462)
	<u>33,124</u>	<u>5,732</u>	<u>38,856</u>

Notes:

(i) Share premium

The application of the share premium account is governed by Section 148(a) of the Company's Articles of Association and the Cayman Islands Companies Law (Revised), which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) General reserve

According to the relevant rules and regulations in the PRC, each of the Group's PRC subsidiaries shall provide 10% of the annual net income after tax, based on the subsidiary's PRC statutory accounts, as a general reserve, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' decisions.

The general reserve can be used to set off any accumulated losses or converted into paid-up capital of the respective subsidiary.

(Expressed in Renminbi)

23 RESERVES (Continued)

Notes: (continued)

(iii) Enterprise expansion fund

Enterprise expansion fund has been set up by a PRC subsidiary and the amount allocated to this fund is at management's discretion. No allocation has been made for the years ended 31 December 2000 and 1999.

Enterprise expansion fund can be used to convert into paid-up capital, to acquire fixed assets and for general working capital purpose of the subsidiary.

(iv) Retained earnings

At 31 December 2000, the Company had retained earnings of RMB5,732,000 (1999: accumulated losses of RMB614,000), and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law as noted in (i) above, the aggregate amount of reserves available for distribution to shareholders of the Company was RMB38,856,000 (1999: RMB32,510,000).

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2000 RMB'000	1999 RMB'000
Operating profit	8,508	13,653
Interest income	(4,269)	(1,471)
Depreciation	2,604	1,355
Amortisation of goodwill	262	—
Decrease in other non-current asset	800	800
Increase in inventories	(915)	(38)
(Increase)/decrease in trade and other receivables	(20,933)	20,999
(Decrease)/increase in trade and other payables	(1,385)	7,377
Foreign exchange	403	—
Net cash (outflow)/inflow from operating activities	<u>(14,925)</u>	<u>42,675</u>

(Expressed in Renminbi)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)**(b) Purchase of a subsidiary**

	RMB'000
Net assets acquired:	
Fixed assets	14
Investment securities	1,331
Other receivables	2
Cash at bank and in hand	1,495
Creditors and accrued charges	(66)
Minority interests	(19)
	<u>2,757</u>
Goodwill	<u>911</u>
	<u>3,668</u>
Satisfied by: Cash paid	<u>3,668</u>

No material cash flows were contributed by the subsidiary acquired during the year.

(c) Analysis of net outflow of cash and cash equivalents in respect of the purchase of a subsidiary

	RMB'000
Cash consideration	3,668
Cash at bank and in hand acquired	<u>1,495</u>
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>2,173</u>

(Expressed in Renminbi)

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Major non-cash transactions

In preparation for the listing of the Company's shares, on 2 December 1999, the Company issued 24,999,980 shares at HK\$0.10 each and credited as fully paid at par the two subscriber shares of HK\$1.00 each in the Company, which approximately equals to RMB2,662,000, in exchange and as consideration for the acquisition by the Company of the entire issued share capital of Qianlong Computers Company Limited.

(e) Analysis of changes in financing

	Share capital (including premium)
	RMB'000
At 1 January 1999	—
Cash flows from financing	52,882
Shares issued in exchange of shares in a subsidiary (<i>note d</i>)	2,662
	<hr/>
At 31 December 1999	55,544
	<hr/> <hr/>

25 COMMITMENTS

(a) Retirement schemes

The employees of Ningbo Qianlong Computer Software Company Limited are members of life insurance policies managed by an insurance company. The subsidiary is required to pay premiums of the life insurance policies on behalf of the employees at approximately 25% of their monthly salaries.

The employees of Ningbo Qianlong Computer Software Company Limited Shanghai branch, Shanghai Qianlong Advanced Technology Company Limited and Worry-free Consulting (Shanghai) Limited are members of a central pension scheme operated by the local government and the subsidiaries are required to contribute approximately 25.5% of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits. From December 2000 onward, the contribution rate changed to 22.5%.

The Group does not have any contingent liabilities to the retirement benefits of the employees other than the monthly payments to the life insurance policy and contributions to the central pension scheme.

(Expressed in Renminbi)

25 COMMITMENTS (Continued)

(b) At 31 December 2000, the Group and the Company had commitments under operating leases in respect of properties to make payments in the next year as follows:

	Group		Company	
	2000 RMB'000	1999 RMB'000	2000 RMB'000	1999 RMB'000
Lease expiring within 1 year	551	—	543	—
Lease expiring after 1 year but within 5 years	2,206	499	—	—
	<u>2,757</u>	<u>499</u>	<u>543</u>	<u>—</u>

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year, a subsidiary entered into an agreement with the ultimate holding company to acquire 33% of the issued capital of Shanghai Gloucester Waalker Investment Management Company Limited at a consideration of US\$120,000.

27 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2000 to be Willing System Corporation, which is incorporated in the Republic of China.



Three-year Financial Summary

(Expressed in Renminbi)

	2000	1999	1998
	RMB'000	RMB'000	RMB'000
		(Note)	(Note)
Consolidated profit and loss account			
Turnover	46,713	33,885	48,364
Cost of sales	(18,005)	(13,841)	(15,458)
	28,708	20,044	32,906
Other revenue	7,155	3,141	5,270
Distribution costs	(3,569)	(1,660)	(1,225)
Administrative expenses	(23,294)	(7,642)	(4,753)
Other operating expenses	(492)	(230)	(225)
Share of losses of associates	(1,108)	—	—
Profit from ordinary activities before taxation	7,400	13,653	31,973
Taxation	(2,355)	(1,687)	(3,530)
Profit after taxation and attributable to shareholders	5,045	11,966	28,443
Dividends	4,462	28,019	51,054
Earnings per share - basic	2.40 cents	7.85 cents	18.96 cents
Consolidated balance sheet			
Fixed assets	9,667	9,127	9,454
Other non-current assets	5,149	1,600	2,400
Current assets	98,502	98,741	53,820
Current liabilities	(26,761)	(23,536)	(16,571)
Total assets less current liabilities	86,557	85,932	49,103
Minority interests	(19)	—	—
Net assets	86,538	85,932	49,103
Share capital	22,420	22,420	26,427
Reserves	64,118	63,512	22,676
Owners' equity	86,538	85,932	49,103





Three-year Financial Summary

(Expressed in Renminbi)

Note: The Company was incorporated in the Cayman Islands on 6 May 1998 under the Cayman Islands Companies Law (Revised) and through a reorganisation became the holding company of the Group on 2 December 1999. The Group has been treated as a continuing entity and accordingly the consolidated accounts have been prepared on the basis that the Company was the holding company of the Group for 1998 and 1999 rather than from 2 December 1999. Accordingly, the consolidated results of the Group for the years ended 31 December 1998 and 1999 include the results of the Company and its subsidiaries with effect from 1 January 1998 or since their respective dates of incorporation, where this is a shorter period. The consolidated balance sheet at 31 December 1998 is a combination of the balance sheets of the subsidiaries of the Company as at 31 December 1998. The net difference between the value recorded for the shares issued and the nominal value of the issued share capital received in exchange is transferred to the merger reserve.



NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of Qianlong Technology International Holdings Limited (“the Company”) will be held at Coral Room 1, 3rd Floor, Furama Hotel, Hong Kong, 1 Connaught Road, Central, Hong Kong, on Thursday, 12 April 2001 at 17:00. for the following purpose:

1. To receive and consider the audited financial statements and the reports of the Directors and the auditors of the Company for the year ended 31 December 2000;
2. To approve the payment of a final dividend for the year ended 31 December 2000.
3. To re-elect directors and to authorize the board of directors to fix the directors’ remuneration.
4. To re-appoint auditors and authorize the board of directors to fix the remuneration.
5. By way of special business, to consider and, if thought fit, pass with or without alternations, the following resolutions as ordinary resolution:

(1) **That**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved.
- (b) The approval paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period.
- (c) The aggregate nominal amount of shares capital allotted or agreed conditionally or unconditionally to be allotted (where pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Right Issue; or (ii) the grant or exercise of any option under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Memorandum and Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed the aggregate of:
 - (aa) 20 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

(bb) (if the Directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution).

And the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of :

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Memorandum and Articles of Association of the Company, the Company Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

“Right Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for share open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the law of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).”

(2) **That**

- (a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its Shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose , and otherwise in accordance with the rules and regulations of the Securities and Futures Commission. The Stock Exchange of Hong Kong Limited , the Memorandum and Articles of Association of the Company, the Companies Law (1995 Revision) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved.
- (b) The aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent, of the aggregate nominal amount of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) For the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is earliest of:
- (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Memorandum and Articles of Association of the Company, the Companies Law (1995 Revision) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.
- (3) **That** the Directors of the Company be and they are hereby authorized to exercise the authority referred to in paragraph (a) of Resolution no. 5(1) above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.

By order of the Board
Chan Yik Wang, Andrew
Secretary

March 17 2001



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89 Queensway, Admiralty
Hong Kong

Notes:—

- (a) A shareholder entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not to be a shareholder of the Company.
- (b) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch register and transfer office in Hong Kong. Central Registration Hong Kong Limited, Rooms 1901-5, 19th Floor, Hopewell Centre. 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.
- (c) In relation to proposed resolutions no. 3 and 4 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorize the allotment and issue of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
- (d) The register of members of the Company will be closed from 7 April 2001 to 12 April 2001, both days inclusive, during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the branch share register of the Company in Hong Kong. Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Center, 183, Queen's Road East, Hong Kong, not later than 4:00 pm on 6 April 2001.