



Qianlong Technology International Holdings Limited

乾隆科技國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT

2001

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HIGHLIGHTS

- Turnover decreased by 9% to approximately RMB 10.8 million
- Net profit attributable to shareholders down by 97% to approximately RMB71 thousand
- Basic earnings per share of RMB0.03 cents

QUARTERLY RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Qianlong Technology International Holdings Limited (the “ Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the Group) for the three months ended 31 March 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		Three months Ended 31 March	
	<i>Note</i>	2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>
GROUP RESULTS			
Turnover	1	<u>10,830</u>	<u>11,924</u>
Profit from operations		755	2,711
Share of losses of associates		<u>(77)</u>	<u>—</u>
Profit before taxation		678	2,711
Taxation	2	<u>(607)</u>	<u>(578)</u>
Profit after taxation		<u>71</u>	<u>2,133</u>
Dividends	3	0	0
Earnings per share (RMB cents) BASIC	4	0.03	1.01

BASIS OF PREPARATION

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform to accounting principles generally accepted in Hong Kong.

1. Turnover

The principal activities of the Company and the Group are the development, production and distribution of computer software, the provision of the related maintenance services, and investment in other IT companies.

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

	Three Months Ended 31 March			
	2001		2000	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of computer software	3,480	32	5,507	46
Maintenance fees	7,278	67	6,417	54
Consultant fees	72	1	0	0
	<u>10,830</u>	<u>100</u>	<u>11,924</u>	<u>100</u>

2. Taxation

	Three Months Ended 31 March	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	0	0
PRC	607	578
	<u>607</u>	<u>578</u>

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

3. Dividends

The board of directors did not declare any dividend during the three months ended 31 March 2001 and 2000.

4. Basic Earnings Per Share

	Three Months Ended 31 March	
	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Earnings per share (RMB cents)	0.03	1.01

The calculation of basic earning per share is based on the combined profit attributable to shareholders for the three months ended 31 March 2001 of RMB71,000 (RMB2,133,000 for the same period of 2000) divided by the weighted average number of ordinary shares of 210,500,000 (210,500,000 for the same period of 2000) in issue during the period.

There were no dilutive potential ordinary shares in issue during the three months ended 31 March 2000 and 2001.

BUSINESS REVIEW

For the three months ended 31 March 2001, the Group reported a turnover of RMB 10,830 thousand, representing a decrease of 9% compared to that for the same period of the previous year. The sales decrease was due primarily to sales drop of stand alone version as a result of the fact that PRC stock market was in consolidation for the first quarter of 2001. Net profit attributable to shareholders for the three months ended 31 March 2001 was RMB71,000, representing 97% down compared to that of the same period of the previous year. The reduction in consolidated net profit by 97% in the first quarter of 2001 was due mainly to the fact that the Group's two wholly-owned subsidiaries Worry-Free Shanghai (started operation in May 2000) and Worry-Free Taipei Office (started operation in January 2001), and some of the Group's strategic investments are at start-up stage.

Shanghai Qianlong Advanced Technology Company Limited and Ningbo Qianlong Computer Software Company Limited, the Group's two major wholly-owned subsidiaries, together still achieved 10% combined profit growth in the first quarter of 2001.

BUSINESS OBJECTIVE COMPARISON

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

Sales and Marketing

The Directors have assessed the market intelligence and reviewed the performance of Qianlong Tien Di, then decided to formulate the strategy to set up a distribution channel by establishment of both own retail outlets and franchise 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 March 2001, the Group has signed franchised agreements with 33 existing sale agents of the Group. The franchised sales agents provides a total of 40 retail stores with the trademark “Qianlong Tien 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 is aiming to set up a software distribution network through Worry-Free Shanghai 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 Shanghai was approximately RMB 8.1 million up to 31 March 2001, including operating expenses of RMB 5.5 million, and fixed assets/decoration/equipment of RMB2.6 million, funded by the listing proceeds and the Group’s operating fund.

Deployment of Human Resources

During the three months period ended 31 March 2001, the Group recruited additional 12 staff for the expansion plan of the Group in Hong Kong, Shanghai and Taipei . The business progress of deployment in human resource has been adjusted upon the newly adopted strategy.

The following table illustrates the breakdown of total headcount of the Group at 31 March 2001:

	Planned Staff Level for 2001/6/30	Actual Staff as at 2001/3/31	Actual Staff as at 2000/12/31
Sales and marketing	94	58	49
Maintenance service and technical support	152	29	25
Finance and administrative	97	40	41
Research and development	20	22	22
Total	<u>363</u>	<u>149</u>	<u>137</u>

Product Development

The Group launched the initial product of the Magic Box Project, named the Intelligent Box I in March 2000 as in line with the schedule mentioned in the Prospectus. The Intelligent Box I is able to be connected with a cable or wireless networked television to provide investors with analytical tools. Currently, the Group is developing the Intelligent Box II, which is now at test run stage, and is expected to be introduced in the first half of 2001.

The Group launched the upgraded Forever Winner in the first quarter of 2001, which is Windows version for Stand-alone version.

During the first quarter of 2001, the Group also launched a new Network Version which can provide 60 users at the same time and suitable for small-sized securities houses.

Research and Development

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

The Group set up a research and development center in Taipei, Taiwan in the first quarter of 2000. Up to 31 March 2001, HKD7.6 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.

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 March 2001, part of the proceeds were used to set up a research and development center in Taiwan (HKD7.6 million), to implement project Qianlong Tian Di (HKD7.8 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 Consultant (HKD0.94 million), to acquire 30% equity interest in Exite Interactive Media Cayman Incorporation (HKD0.47 million), to invest in 49% of Arrow Goal Enterprises Corporation (HKD1.87 million), and to set up Worry-Free Taipei Subsidiary (HKD2.4 million). Cash and bank balance of the Group as at 31 March 2001 were RMB67.6 million equivalent, representing the unused proceeds of the initial public offering and funds generated from the Group's operation.

DIRECTORS' INTEREST IN SECURITIES

As at 31 March 2001, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

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

Note: At 31 March 2001, Messrs. Chen Shen Tien, Fan Ping Yi, Chen Ming Chuan and Yu Shih Pi were substantial shareholders of Willing Systems Corporation ("Willing") which beneficially held 122,500,000 shares representing 58.19% interest in the Company.

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

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

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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 on the Stock Exchange on 17 December 1999. No options were granted to any directors or employees under the Scheme during the three months period ended 31 March 2001.

Apart from the forgoing at no time during the period ended 31 March 2001 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors 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 March 2001, in addition to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

Name	Number of the shares held (Note)
Qianlong Technology Inc.	122,500,000
Willing Systems Corporation	122,500,000
Mr. Chen Shen Tien	122,500,000
Mr. Fan Ping Yi	122,500,000
Mr. Yu Shi Pi	122,500,000
Mr Chen Ming Chuan	122,500,000
Mr. Yang Ching Shou	122,500,000

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

Note b: Each of the 122,500,000 shares held by Messrs Chen Shen Tien, Fan Ping Yi, Yu Shi Pi, Chen Ming Chuan and Yang Ching Shou were included in the above mentioned number of shares held by Willing System Corporation.

COMPETING INTERESTS

Willing System Corporation, the management and the ultimate shareholders of the Company, was formerly engaged in the development and distribution of securities analysis software to provide real time quotation and technical analysis on the securities traded on Taiwan Stock Exchange. Willing System Corporation had stopped such business and became a pure shareholding company since January 2001. Therefore, no competing interest exists for Willing System Corporation.

Note: At 31 March 2001, 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 March 2001.

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("CPY"), as at 31 March 2001, 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 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period ended 31 March 2001 neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

By order of the board
Chen Shen Tien
Chairman

15 May 2001