



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)

INTERIM REPORT

2001

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This document, for which the directors of Qianlong Technology International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Qianlong Technology International Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover decreased by 16.5% to approximately RMB20.8 million
- Net loss after taxation was RMB1.46 million.
- Basic loss per share of RMB0.70 cents

INTERIM RESULTS (UNAUDITED)

The Board of Directors (the “Board”) of Qianlong Technology International Holdings Limited (the “ Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the Group) for the six months and three months ended 30 June 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		Six months		Three months	
		Ended 30 June		Ended 30 June	
		2001	2000	2001	2000
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
GROUP RESULTS					
Turnover	1	<u>20,793</u>	<u>24,900</u>	<u>9,963</u>	<u>12,976</u>
(Loss)/profit from operation		(226)	5,518	(981)	2,807
Share of losses of associates		<u>(515)</u>	<u>—</u>	<u>(438)</u>	<u>—</u>
(Loss)/profit before taxation		(741)	5,518	(1,419)	2,807
Taxation	2	<u>(722)</u>	<u>(1,172)</u>	<u>(115)</u>	<u>(594)</u>
(Loss)/profit after taxation		<u>(1,463)</u>	<u>4,346</u>	<u>(1,534)</u>	<u>2,213</u>
Dividends	3	—	—	—	—
(Loss)/earnings per share (RMB cents) , basic	4	(0.70)	2.06	(0.73)	1.05

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 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:

	Six Months Ended 30 June				Three Months Ended 30 June			
	2001		2000		2001		2000	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of computer software	5,432	26	12,093	49	1,952	20	6,586	51
Maintenance fees	14,954	72	12,791	51	7,676	77	6,374	49
Consultant fees	407	2	16	—	335	3	16	—
	<u>20,793</u>	<u>100</u>	<u>24,900</u>	<u>100</u>	<u>9,963</u>	<u>100</u>	<u>12,976</u>	<u>100</u>

2. Taxation

	Six Months Ended 30 June		Three Months Ended 30 June	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	—	—	—	—
PRC	<u>722</u>	<u>1,172</u>	<u>115</u>	<u>594</u>
	<u>722</u>	<u>1,172</u>	<u>115</u>	<u>594</u>

No provision for Hong Kong profits tax has been provided during the periods as the Group has not carried on a trade or business in Hong Kong and is not subject to Hong Kong Profits Tax. The Group's profit is derived mainly from the Group's operating subsidiaries in the PRC.

The provision for PRC taxation is based on the estimated taxable income for PRC taxation purpose at the rate applicable to each period.

3. DIVIDENDS

The board of directors does not recommend the payment of any dividend attributable to the six months ended 30 June 2001 and 2000.

4 (LOSS)/EARNINGS PER SHARE, BASIC

	Six Months Ended 30 June		Three Months Ended 30 June	
	2001	2000	2001	2000
(Loss)/Earnings per share (RMB cents)	(0.70)	2.06	(0.73)	1.05

The calculation of basic loss per share for the six months and three months ended 30 June 2001 is based on the loss after taxation of RMB1,463,000 and RMB1,534,000 respectively divided by the weighted average number of ordinary shares of 210,500,000 in issue during the periods.

The calculation of basic earnings per share for the six months and three months ended 30 June 2000 is based on the profits after taxation of RMB4,346,000 and RMB2,213,000 respectively divided by the weighted average number of ordinary shares of 210,500,000 in issue during the periods.

There were no potential dilutive ordinary shares in issue during the six months ended 30 June 2001 and 2000.

BUSINESS REVIEW

For the six months ended 30 June 2001, the Group reported a turnover of approximately RMB 20.8 million, representing a decrease of 16.5% 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 PRC's stagnant stock market for the first half of 2001.

Loss after taxation for the six months ended 30 June 2001 was approximately RMB1.46 million; whereas, a net profit after taxation of RMB4.35 million was recorded at the same period of the previous year. The loss incurred in the first half of 2001 was due mainly to the drop in the stand alone version, the expenses incurred from the relocation of Shanghai Qianlong Advanced Technology Company Limited and the losses incurred by 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). Additionally, some of the Group's strategic investments are at start-up stage and still require the Group's continuous financial support.

BUSINESS OBJECTIVE COMPARISON

The details 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 a strategy to set up a distribution channel that composes 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 in addition to a shortened response time to any market demand.

Up to 30 June 2001, the Group has entered into franchised agreements with 33 existing sale agents of the Group. These franchised distributors provided concession areas in their 40 retail stores operated under the trademark “Qianlong Tien Di” to sell the Group’s products. Under the franchise arrangement, the Group provides the operational principle of “Qianlong Tien Di”, including technical and after-sale services assistance, co-brand name and incentive programs, to these franchised distributors. The franchised distributors primarily provide services to individual end-users while the Group’s own retail outlets mainly serve corporate users for both the Group’s products and other renowned software.

The Group aims at setting up a software distribution network through Worry-Free Shanghai and the franchised sale distributors 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 9.6 million up to 30 June 2001, funded by the listing proceeds and the Group’s operating fund.

Deployment of Human Resources

During the six months period ended 30 June 2001, the Group recruited additional 19 staff for the expansion plan of the Group in Hong Kong, Shanghai and Taipei. The deployment of human resource has been adjusted upon the newly adopted strategy.

The following table illustrates the breakdown of total headcount of the Group at 30 June 2001:

	Planned Staff Level for 2001/6/30	Actual Staff as at 2001/6/30	Actual Staff as at 2000/12/31
Sales and marketing	94	57	49
Maintenance service and technical support	152	30	25
Finance and administrative	97	42	41
Research and development	20	27	22
Total	<u>363</u>	<u>156</u>	<u>137</u>

Product Development

As described in our Prospectus, the Group launched the Intelligent Box I, first of the Magic Box series of products, in March 2000. The Intelligent Box I can 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 August 2001.

The Group launched the upgraded Forever Winner in March 2001, which is Window version for Stand-alone version. In June 2001, the Group again launched another version of Forever Winner, which is used for securities professionals.

During the first half 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.

The Group plans to upgrade Network Version in August 2001.

Research and Development

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

The Group set up a research and development center in Taipei, Taiwan, in the first quarter of 2000. Up to 30 June 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 approximately HKD49.6 million through the initial public offering (“IPO”) of the shares of the Company. Of the approximately HKD49.6 million raised during our IPO and up to 30 June 2001, approximately HK7.6 million was used to set up a research and development center in Taiwan, approximately HKD7.8 million was used to implement project Qianlong Tian Di , approximately HKD3.4 million was used to acquire 99.3% equity interest in Chien Lung Investment Company Limited (please refer to Announcement on GEM Website dated 26th June 2000 for details), approximately HKD940,000 was used to acquire 33.3% equity in Shanghai Gloucester Walker Investment Management Consultant, approximately HKD470,000 was used to acquire 30% equity interest in Excite Interactive Media Cayman Incorporation, approximately HKD1.87 million was used to invest in 49% of Arrow Goal Enterprises Corporation, approximately HKD2.34 million was used to invest in Atgame, approximately HKD2.4 million was used to set up Worry-Free Taipei branch, and approximately HKD6.3 million was used to accommodate the Group’s need for working capital. Cash and cash equivalent and bank balance of the Group as at 30 June 2001 were approximately RMB72 million, representing the unused proceeds of the initial public offering and funds generated from the Group’s operation.

DIRECTORS’ INTEREST IN SECURITIES

As at 30 June 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 Ordinance (the “SDI Ordinance”) “Disclosure of Interest” 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 30 June 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 six months period ended 30 June 2001.

Apart from the forgoing and other than in connection with the Group reorganization in preparation for the Company's initial public offering. At no time during the period ended 30 June 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 30 June 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 30 June 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

Core Pacific - Yamaichi International (HK) Limited, an associate as referred in Note 3 to Rule 6.35 of the GEM Listing Rules, of the Company's sponsor, Core Pacific - Yamaichi Capital Limited, was interested in 2,904,000 shares of HKD0.10 each in the share capital of the Company as at 30 June 2001.

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("CPY"), as at 30 June 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 30 June 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

10 August 2001