



**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**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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 20% to approximately RMB29.3 million
- Net loss after taxation was RMB4.79 million
- Basic loss per share of RMB2.27 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 nine months and three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

		Nine months Ended 30 September		Three months Ended 30 September	
		2001	2000	2001	2000
	Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>GROUP RESULTS</b>					
Turnover	1	29,338	36,681	8,545	11,781
(Loss)/Profit from operation		(2,984)	7,409	(2,758)	1,891
Share of losses of associates		(1,018)	0	(503)	0
(Loss)/Profit before taxation		(4,002)	7,409	(3,261)	1,891
Taxation	2	(784)	(1,765)	(62)	(593)
(Loss)/Profit after taxation		(4,786)	5,644	(3,323)	1,298
Dividends	3	0	0	0	0
(Loss)/Earnings per share (RMB cents) BASIC	4	(2.27)	2.68	(1.57)	0.62

## 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 segment of revenue recognized in turnover during the respective period is as follows:

	Nine Months Ended 30 September				Three Months Ended 30 September			
	2001		2000		2001		2000	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	%
Sales of computer software	6,845	23	17,306	47	1,413	17	5,213	44
Maintenance Fee	21,872	75	19,328	53	6,918	81	6,537	56
Consultant fees	621	2	47	0	214	2	31	0
	<u>29,338</u>	<u>100</u>	<u>36,681</u>	<u>100</u>	<u>8,545</u>	<u>100</u>	<u>11,781</u>	<u>100</u>

## 2. Taxation

	Nine Months Ended 30 September		Three Months Ended 30 September	
	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	0	0	0	0
PRC	<u>784</u>	<u>1,765</u>	<u>62</u>	<u>593</u>
	<u>784</u>	<u>1,765</u>	<u>62</u>	<u>593</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 taxation is related to 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 nine months ended 30 September 2001 and 2000.

#### 4. Basic (loss)/earnings per share

	Nine Months Ended		Three Month Ended	
	30 September		30 September	
	2001	2000	2001	2000
(Loss)/Earnings per share (RMB cents)	(2.27)	2.68	(1.57)	0.62

The calculation of basic loss per share for the nine months and three months ended 30 September 2001 is based on the loss after taxation of approximately RMB4.79 million and RMB3.32 million 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 nine months and three months ended 30 September 2000 is based on the profits after taxation of approximately RMB5.64 million and RMB1.30 million respectively divided by the weighted average number of ordinary shares of 210,500,000 in issue during the periods.

There were no potential dilutive securities in issue during the nine months ended 30 September 2001 and 2000.

## **BUSINESS REVIEW**

For the nine months ended 30 September 2001, the Group reported a turnover of approximately RMB 29.34 million, representing a decrease of 20% compared to that of the same period in the previous year. The sales decrease was due primarily to sales drop of stand alone version as a result of the bearish PRC stock market in the first nine months of 2001.

Net loss after taxation for the nine months ended 30 September 2001 was approximately RMB4.79 million; whereas, a net profit after taxation of approximately RMB5.64 million was recorded at the same period of the previous year. The loss was incurred as a result of the drop in sales of the stand alone version, the additional 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 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 Tian Di, then decided to formulate the strategy that 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 30 September 2001, the Group has signed franchised 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 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 10.8 million up to 30 September 2001, funded by the listing proceeds and the Group’s operating fund.

## Deployment of Human Resources

During the nine months period ended 30 September 2001, the Group recruited additional 33 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 30 September 2001:

	<b>Planned Staff Level for 2001/12/31</b>	<b>Actual Staff as at 2001/9/30</b>	<b>Actual Staff as at 2000/12/31</b>
Sales and marketing	130	56	49
Maintenance service and technical support	212	29	25
Finance and administrative	133	55	41
Research and development	20	30	22
Total	<u>495</u>	<u>170</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. After over one year research and development, the Group launched the Intelligent Box II, second of the Magic Box series of products, in September 2001.

The Group launched the upgraded Forever Winner in March 2001, which is Windows 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 nine month period of 2001, the Group also launched a new Network Version which can be used by 60 users at the same time and is suitable for small-sized securities houses.

In addition, the Group upgraded both Stand-alone Version and 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 newly introduced Windows versions.

The Group set up a research and development center in Taipei, Taiwan in the first quarter of 2000. Up to 30 September 2001, HKD8.6 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 (“IPO”) of the shares of the Company. Of the approximately HKD49.6 million raised during our IPO and up to 30 September 2001, approximately HKD8.6 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 26 June 2000 for detailed information), approximately HKD0.94 million was used to acquire 33.3% equity in Shanghai Gloucester Waalker Investment Management Consultant, approximately HKD0.47 million was used to acquire 30% equity interest in Exite 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 HKD7.2 million was used to accommodate working capital. Cash and bank balance of the Group as at 30 September 2001 were RMB68.8 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 30 September 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 30 September 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 nine months period ended 30 September 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 September 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 September 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.

<b>Name</b>	<b>Number of the shares held (Note)</b>
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 September 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 to 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 September 2001.

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

12 November 2001