



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

2002

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HIGHLIGHTS

- Turnover decreased by 20% to approximately RMB8.6 million
- Net loss after taxation was RMB2.5 million.
- Basic loss per share of RMB1.21 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 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

GROUP RESULTS

		Three Months Ended 31 March	
		2002	2001
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
GROUP RESULTS			
Turnover	1	8,644	10,830
(Loss)/Profit from operations		(1,904)	755
Share of losses of associates		(428)	(77)
(Loss)/Profit before taxation		(2,332)	678
Taxation	2	(220)	(607)
(Loss)/Profit after taxation		(2,552)	71
Dividends	3	0	0
Basic(Loss)/Earnings per share (RMB cents)	4	(1.21)	0.03

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			
	2002		2001 (note)	
	RMB'000	%	RMB'000	%
Sale of computer software	1,412	16	3,793	35
Maintenance Fee	6,970	81	6,965	64
Others	262	3	72	1
	<u>8,644</u>	<u>100</u>	<u>10,830</u>	<u>100</u>

Note: The figures in the analysis of turnover for the three months ended 31 March 2001 have been reclassified to conform to current period's presentation.

2. Taxation

	Three Months Ended 31 March	
	2002	2001
	RMB'000	RMB'000
Hong Kong	0	0
PRC	220	607
	<u>220</u>	<u>607</u>

No provision for Hong Kong profits tax has been provided during the periods as the Group did not earn operating profit subject to Hong Kong Profits Tax.

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

3. Dividends

The directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2002 and 2001.

4. Basic (loss)/earnings per share

	Three Months Ended 31 March	
	2002	2001
(Loss)/Earnings per share (RMB cents)	(1.21)	0.03

The calculation of the loss per share for the three months ended 31 March 2002 is based on the loss attributable to shareholders for the three months ended 31 March 2002 of RMB2,552,000 divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

The calculation of earnings per share for the three months ended 31 March 2001 is based on the profit attributable to shareholders for the three months ended 31 March 2001 of RMB71,000 divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the three months ended 31 March 2002 and 2001.

BUSINESS REVIEW

For the three months ended 31 March 2002, the Group reported a turnover of RMB8,644 thousand, representing a decrease of 20% compared to that for the same period of the previous year. The sales decrease was due primarily to the sales drop of securities analysis software as a result of keen market competition and the stagnant stock market in PRC during the first quarter of 2002. Nevertheless, the Group still generated stable maintenance fees income, and has recorded revenue growth in other income such as consultant fees for the three months ended 31 March 2002.

The Group recorded a net loss after taxation of RMB2,552 thousand for the three months ended 31 March 2002. Whereas a marginal net profit attributable to shareholders of RMB71 thousand was recorded for the same period of the previous year. The loss for the first quarter of 2002 was attributable to the following factors:

- 1) Drops in the sales and selling prices of securities analysis software due to the stagnation of PRC stock market and keen market competition, without any reduction in the cost of R & D teams.
- 2) The losses incurred by the Group's two wholly-owned subsidiaries Worry-Free Consultant (Shanghai) Company Limited (operation started in May 2000) and Worry-Free Taipei Office (operation started in January 2001).
- 3) some of the Group's strategic investments are at start-up stage.

Sales and Marketing

The Group has for years maintained long, stable and good relationships with its existing sales agents of securities analysis software around the PRC. The Group has constantly visited the agents and major securities houses, and provided necessary technical assistance or explanation for new/advanced products. The Group has also from time to time evaluated the performance of sales agents and provided incentives to those with satisfactory sales result.

Worry-Free Consultant (Shanghai) Company Limited(Worry-Free Shanghai) closed up the two existing expensive stores in Shanghai in early 2002. Instead, Worry-Free Shanghai now is choosing new small-sized stores to provide securities analysis course, sale of the Group's products as well as other securities-relevant products and other software/IT products. Worry-Free Shanghai's restructure work is expected to be completed this year. With smaller chain stores and lower unit cost, Worry-Free Shanghai is aimed to set up a sales channel and distribution network for software and IT products across the PRC.

Deployment of Human Resources

During the three months period ended 31 March 2002, the Group recruited additional 11 staff mainly for enhancement of technical and R & D teams. The total staff number increased from 164 as at 31 December 2001 to 175 as at 31 March 2002.

Product Development

The Group launched the upgraded Stand-alone Version Software in the first quarter of 2002, which is for both Windows and DOS systems with more new functions, such as basic company information, economic news, download system, and enhanced technical analysis functions, etc.

The Group currently is aggressively developing other new products of securities analysis software, such as software which could be automatically shifted between satellite and DDN (Digital Data Network) that are currently the only resources for stock market information, so as to avoid information interrupted by either resources. In addition, the Group is developing the internet version of securities analysis software which could be provided to customers by the securities houses or be provided to community residents in the residential areas. The above-mentioned new products are expected to be launched in 2002.

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, and 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 31 March 2002, approximately HKD9.1 million was used to set up a research and development center in Taiwan, approximately HKD11.7 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 Company Limited, approximately HKD0.47 million was used to acquire 30% equity interest in Excite Interactive Media Cayman Incorporation, approximately HKD3.43 million was used to invest in 44.6% of Arrow Goal Enterprises Corporation, approximately HKD2.34 million was used to invest in Atgame, approximately HKD3.2 million was used to set up Worry-Free Taipei Branch, and approximately HKD12.6 million was used to accommodate working capital. Cash and bank balance of the Group as at 31 March 2002 were RMB56.3 million equivalent, representing the unused proceeds of the initial public offering and funds generated from the Group’s operation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the three months ended 31 March 2002 neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES

As at 31 March 2002, the interests of the Directors, chief executive 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
Yang Ching Shou	Corporate (<i>Note</i>)	122,500,000
Wang Chen Yu, Cycle	Personal	3,750,000
Du Hao	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 2002, Messrs. Chen Shen Tien, Fan Ping Yi, Yang Ching Shou, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SECURITIES

Pursuant to a written resolution passed on 2 December 1999 ("Adoption Date"), 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. Unless terminated by the Company by general meetings, the share option scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

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 10% of the issued share capital of the Company from time to time, excluding for this purpose (i) any shares which have been duly allotted and issued on the exercise of the options granted under the share option scheme and any other schemes; and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) during a specified period of 10 consecutive years.

No option may be granted to any employee which, if exercised in full, would result in the total number of shares already issued and issuable to him under the share option scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the share option scheme.

The subscription price for shares under the scheme will be a price determined by the board and notified to each grantee and will be the higher of (i) the closing price of the shares on the date of grant; (ii) average closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Up to 31 December 2001, no option has been granted to any employee or Director of the Company or any of its subsidiaries under this share option scheme.

Apart from the foregoing, at not time during the period ended 31 March 2002 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement 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 March 2002, 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

Notes: Willing Systems 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.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's ultimate holding company, Willing Systems 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 entered the Company licensed the use of the service mark in the ROC exclusively to the ultimate holding company for a normal consideration of USD1 for a period from September 1999 to November 2007.

On 23 November 2001, a subsidiary of the Group, Shanghai Qianlong Advanced Technology Company Limited ("Shanghai Qianlong"), conditionally entered into an acquisition agreement with a related company which is held by Mr. Chen Shen Tien and Mr. Fan Ping Yi, the executive directors of the Group to purchase a property located in the PRC for a consideration of US\$1,080,000. The above transaction was completed on 23 April 2002.

Apart from the foregoing, no contract of significance to which the Company, any of its holding companies, subsidiaries or fellow 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 period ended 31 March 2002.

COMPETING INTERESTS

Willing Systems 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 Systems Corporation had ceased such business and became a pure shareholding company since January 2001.

SPONSOR'S INTERESTS

CSC Asia Limited has been appointed as the Company's Sponsor since January 2002.

As at 31 March 2002, neither CSC Asia Limited nor its Directors, employees or associates have any interest in the share capital of the Company.

Pursuant to the Agreement dated 19 October 2001 entered between the Company and CSC Asia Limited, CSC Asia Limited has received and will receive a fee for acting as the Company's sponsor for the period from 1 January 2002 to 31 December 2003.

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.

By order of the board
Chen Shen Tien
Chairman

13 May 2002