



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

2002

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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 16.02% to approximately RMB 17.5 million.
- Net loss after taxation was RMB 8.6 million.
- Basic loss per share of RMB 4.08 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 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six Months Ended 30 June		Three Months Ended 30 June	
		2002	2001	2002	2001
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	17,462	20,793	8,818	9,963
Cost of sales		<u>(6,524)</u>	<u>(8,499)</u>	<u>(3,002)</u>	<u>(4,542)</u>
		10,938	12,294	5,816	5,421
Other revenue	3	2,776	4,218	1,567	2,294
Other net gains	3	3,578	—	3,578	—
Distribution costs		<u>(4,420)</u>	<u>(3,819)</u>	<u>(2,187)</u>	<u>(2,278)</u>
Administrative expenses		<u>(13,218)</u>	<u>(12,523)</u>	<u>(7,231)</u>	<u>(6,032)</u>
Restructuring costs	4	<u>(6,918)</u>	<u>—</u>	<u>(6,918)</u>	<u>—</u>
Other operating (expenses)/income		<u>(10)</u>	<u>(396)</u>	<u>5</u>	<u>(386)</u>
Loss from operations		<u>(7,274)</u>	<u>(226)</u>	<u>(5,370)</u>	<u>(981)</u>
Share of loss of associates		<u>(741)</u>	<u>(515)</u>	<u>(313)</u>	<u>(438)</u>
Loss before taxation	5	<u>(8,015)</u>	<u>(741)</u>	<u>(5,683)</u>	<u>(1,419)</u>
Taxation	6	<u>(545)</u>	<u>(722)</u>	<u>(325)</u>	<u>(115)</u>
Loss after taxation		<u>(8,560)</u>	<u>(1,463)</u>	<u>(6,008)</u>	<u>(1,534)</u>
Minority interests		<u>(18)</u>	<u>—</u>	<u>(18)</u>	<u>—</u>
Loss attributable to shareholders		<u><u>(8,578)</u></u>	<u><u>(1,463)</u></u>	<u><u>(6,026)</u></u>	<u><u>(1,534)</u></u>
Dividends	7	—	—	—	—
Basic loss per share (RMB cents)	8	(4.08)	(0.70)	(2.87)	(0.73)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

		30 June 2002 RMB'000	31 December 2001 RMB'000
	<i>Note</i>		
Non-current assets			
Fixed assets	10	12,999	7,308
Interest in associates		1,905	991
Investments in securities	11	7,233	9,331
		22,137	17,630
Current assets			
Inventories		995	1,665
Trade and other receivables	12	5,981	13,899
Cash and cash equivalents		54,107	60,680
		61,083	76,244
Current liabilities			
Trade and other payables	13	20,008	22,332
Tax payable		351	99
		20,359	22,431
Net current assets		40,724	53,813
Total assets less current liabilities		62,861	71,443
Minority interests		(40)	(16)
Net assets		62,821	71,427
Capital and reserves			
Share capital		22,420	22,420
Reserves		40,401	49,007
		62,821	71,427

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Enterprise		Retained earnings <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Total <i>RMB'000</i>
				General reserve <i>RMB'000</i>	expansion fund <i>RMB'000</i>			
At 1 January 2001	22,420	33,124	23	5,880	1,541	4,247	23,765	91,000
Dividends approved in respect of the previous year	—	—	—	—	—	(4,462)	—	(4,462)
Loss for the period	—	—	—	—	—	(1,463)	—	(1,463)
Exchange differences on translation	—	—	(489)	—	—	—	—	(489)
At 30 June 2001	<u>22,420</u>	<u>33,124</u>	<u>(466)</u>	<u>5,880</u>	<u>1,541</u>	<u>(1,678)</u>	<u>23,765</u>	<u>84,586</u>
At 1 January 2002	22,420	33,124	(175)	6,538	1,541	(15,786)	23,765	71,427
Loss for the period	—	—	—	—	—	(8,578)	—	(8,578)
Exchange differences on translation	—	—	(28)	—	—	—	—	(28)
Transfer between reserves	—	—	—	140	—	(140)	—	—
At 30 June 2002	<u>22,420</u>	<u>33,124</u>	<u>(203)</u>	<u>6,678</u>	<u>1,541</u>	<u>(24,504)</u>	<u>23,765</u>	<u>62,821</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six Months Ended June 30	
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(4,754)	12,906
Net cash outflow from investing activities	(1,819)	(2,680)
Net cash outflow from financing activities	—	(4,462)
(Decrease) / increase in cash and cash equivalents	(6,573)	5,764
Cash and cash equivalents at 1 January	60,680	66,236
Cash and cash equivalents at 30 June	<u>54,107</u>	<u>72,000</u>

1. BASIS OF PREPARATION

The unaudited condensed interim financial report have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The same principal accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2001 have been applied to the Group's condensed interim financial report, which are in accordance with accounting principles generally accepted in Hong Kong.

2. 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 and consulting services, and investment in other IT companies.

Turnover represents the sales value of goods supplied to customers and the maintenance service fees and consulting service fees receivable, net of goods returned, trade discounts, business tax and value added tax. The Group's products and services are mainly 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 respective periods is as follows:

	Six Months		Three Months	
	Ended 30 June		Ended 30 June	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of computer software	2,993	5,432	1,581	1,952
Maintenance services fees	13,932	14,954	6,962	7,676
Consulting service fees	537	407	275	335
	<u>17,462</u>	<u>20,793</u>	<u>8,818</u>	<u>9,963</u>

3. OTHER REVENUE AND NET GAINS

	Six Months		Three Months	
	Ended 30 June		Ended 30 June	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue				
Value added tax refund	2,248	2,288	1,233	1,375
Interest income	322	1,715	194	767
Miscellaneous	206	215	140	152
	<u>2,776</u>	<u>4,218</u>	<u>1,567</u>	<u>2,294</u>
Other net gains				
Gain on disposal of fixed assets	226	—	226	—
Gain on disposal of investments in securities	3,352	—	3,352	—
	<u>3,578</u>	<u>—</u>	<u>3,578</u>	<u>—</u>

4. RESTRUCTURING COSTS

The company implemented a restructure during the second quarter of 2002 and incurred restructuring costs as follows:

	Six and Three Months		
	Ended 30 June 2002		
	Other	Discontinuing	Total
	operations	operations	
	(Provision of	consulting	
	services)	services)	
	RMB'000	RMB'000	RMB'000
Loss on disposal of equipment and write off of leasehold improvements	2,509	123	2,632
Inventories written off	3,232	—	3,232
Redundancy costs	817	237	1,054
	<u>6,558</u>	<u>360</u>	<u>6,918</u>

In May 2002, the Company's board of directors made a decision to stop the provision of consulting services. For revenue and contributions relating to the discontinuing operations, please refer to note 9.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six Months		Three Months	
	Ended 30 June		Ended 30 June	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	936	613	659	304

6. TAXATION

	Six Months		Three Months	
	Ended 30 June		Ended 30 June	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	—	—	—	—
PRC	545	722	325	115
	<u>545</u>	<u>722</u>	<u>325</u>	<u>115</u>

No provision for Hong Kong Profits Tax has been made for 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 purpose at the rate applicable to each period.

7. DIVIDENDS

The board of directors does not recommend the payment of any dividend attributable to the six months ended 30 June 2002 and 2001.

8. BASIC LOSS PER SHARE

	Six Months		Three Months	
	Ended 30 June		Ended 30 June	
	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss per share (<i>RMB cents</i>)	(4.08)	(0.70)	(2.87)	(0.73)

The calculation of the basic loss per share for the six months and three months ended 30 June 2002 is based on the combined loss attributable to shareholders of RMB 8,578,000 and RMB6,026,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

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

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2002 and 2001.

9. SEGMENT REPORTING

Business segments

	Six months ended 30 June					
	Distribution of computer software		Provision of consulting service (discontinuing operations)		Consolidated	
	2002	2001	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>16,925</u>	<u>20,386</u>	<u>537</u>	<u>407</u>	<u>17,462</u>	<u>20,793</u>
Contribution from operations	(1,720)	8,624	(2,821)	(3,907)	(4,541)	4,717
Unallocated operating income and expenses					<u>(2,733)</u>	<u>(4,943)</u>
Loss from operations					<u>(7,274)</u>	<u>(226)</u>

	Three months ended 30 June					
	Distribution of computer software		Provision of consulting service (discontinuing operations)		Consolidated	
	2002	2001	2002	2001	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>8,543</u>	<u>9,628</u>	<u>275</u>	<u>335</u>	<u>8,818</u>	<u>9,963</u>
Contribution from operations	(3,512)	3,449	(1,261)	(1,753)	(4,773)	1,696
Unallocated operating income and expenses					<u>(597)</u>	<u>(2,677)</u>
Loss from operations					<u>(5,370)</u>	<u>(981)</u>

10. FIXED ASSETS

	Buildings	Leasehold improvements	Computer equipment	Furniture fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:						
At 1 January 2002	137	6,328	3,768	2,554	2,118	14,905
Additions	9,966	—	484	—	—	10,450
Disposals	—	(5,709)	(466)	(288)	(1,681)	(8,144)
At 30 June 2002	<u>10,103</u>	<u>619</u>	<u>3,786</u>	<u>2,266</u>	<u>437</u>	<u>17,211</u>
Accumulated depreciation:						
At 1 January 2002	37	2,970	1,767	1,568	1,255	7,597
Charge for the year	38	306	386	16	190	936
Written back on disposals	—	(2,827)	(357)	—	(1,137)	(4,321)
At 30 June 2002	<u>75</u>	<u>449</u>	<u>1,796</u>	<u>1,584</u>	<u>308</u>	<u>4,212</u>
Net book value						
At 30 June 2002	<u>10,028</u>	<u>170</u>	<u>1,990</u>	<u>682</u>	<u>129</u>	<u>12,999</u>
At 31 December 2001	<u>100</u>	<u>3,358</u>	<u>2,001</u>	<u>986</u>	<u>863</u>	<u>7,308</u>

11. INVESTMENTS IN SECURITIES

	30 June 2002	31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity securities	<u>7,233</u>	<u>9,331</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2002	31 December 2001
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	1,114	758
Prepayments, deposits and other receivables	<u>4,867</u>	<u>13,141</u>
	<u>5,981</u>	<u>13,899</u>

All of the trade and other receivables are expected to be recovered within one year. Included in trade and other receivables are trade debtors (net of special allowances for bad and doubtful debts) with the following ageing analysis:

	30 June	31 December
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Current	356	311
1 to 3 months overdue	711	97
More than 3 but less than 12 months overdue	47	350
	<u>1,114</u>	<u>758</u>

Debts are due within 30 days from the date of billings.

13. TRADE AND OTHER PAYABLES

	30 June	31 December
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	57	1,005
Other creditors and accruals	4,476	5,450
Deferred revenue	15,475	15,877
	<u>20,008</u>	<u>22,332</u>

All accounts payable are due within one month and all the trade and other payables are expected to be settled within one year.

Deferred revenue represents maintenance fees received in advance.

14. COMMITMENT

At 30 June 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June	31 December
	2002	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,148	3,517
After 1 year but within 5 years	4,000	3,563
After 5 years	15,600	16,800
	<u>21,748</u>	<u>23,880</u>

The Group leases a number of properties under operating leases, which run for an initial period of 1 to 30 years, with options to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

15. MATERIAL RELATED PARTY TRANSACTIONS

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. Under the agreement, the legal title of the property will be transferred to Shanghai Qianlong in 2002. As at 30 June 2002, the above transaction was completed.

BUSINESS REVIEW

For the six months ended 30 June 2002, the Group reported a turnover of RMB17,462 thousand, representing a decrease of 16.02 % as compared with that for the same period of the previous year. The sales decrease was due to the 45% sales decline of securities analysis software as a result of the stagnant situation of the stock market in the PRC. Whereas, the Group still generated revenue from maintenance fees of RMB13,932 thousand as well as RMB 3,352 thousand from investment project.

On the other side, the Group recorded a net loss after taxation of RMB8,560 thousand for the six months ended 30 June 2002, whereas a net loss after taxation of RMB1,463 thousand was recorded for the same period of the previous year. The loss for the first half of 2002 resulted from the following reasons:

- 1) the sales of securities analysis software dropped by 45% due to the stagnation of PRC stock market , while the cost of R & D teams remained fixed .
- 2) restructuring costs of RMB6,918 thousand incurred due to the restructure of the Group, such costs include redundancy costs, loss on disposal of equipment and leasehold improvements, and inventories written off.
- 3) the loss incurred by the Group’s wholly owned subsidiary Worry-Free Taipei Office (started operation in January 2001), and some of the Group’s strategic investments are still at start-up stage.

RESTRUCTURE OF THE GROUP

After cautious review and assessment, the Board made a decision to stop the operation of Worry-Free Consulting (Shanghai) Limited (“Worry-Free Shanghai”) and the production/sale of Intelligent Box II in May 2002. At the same time, 75 staff had been laid off. The Group could save approximately RMB 5 million personnel cost per year from the restructure exercise, though relevant restructuring costs of approximately RMB6,918 thousand accrued in second quarter of 2002. The Group will maintain the competitive strategy to concentrate on core business development, that is to engage mainly in the development, production and sale of securities analysis software. A better financial performance will be expected in second half of 2002 through the restructure exercise in the second quarter of 2002.

SALE OF INVESTMENT

One of the Group's subsidiaries, Chien Long Investment Company Limited, disposed entirely its 4.085% interest in Neocom Technology Information Company, Limited in May 2002, and recorded an accounting profit of RMB 3,352,000 from this transaction.

ADDITIONAL INVESTMENT

The Group originally held 49% interest in an associated company, Arrow Goal Enterprise Corporation ("Arrow Goal"), and invested US\$ 200,000 into Arrow Goal in the second quarter of 2002. The total cost of investment in Arrow Goal amounted to US\$ 440,000 representing a 44.6% interest of Arrow Goal after its expansion of capital base.

SALES AND MARKETING

The Group has maintained long, stable and good relationships with its existing sales agents around the PRC. The Group has also constantly visited the agents and major securities houses, and provides necessary technical assistances as well as introduces newly launched products to its agents. In addition, an incentive scheme will be offered to those agents who demonstrate good performances.

DEPLOYMENT OF HUMAN RESOURCES

Following the Group's restructure and the closure of operation of Worry-Free Shanghai and Intelligent Box II, 75 staff were laid off in May 2002. The total staff number of the Group reduced from 175 as at 31 March 2002 to 100 as at 30 June 2002.

PRODUCT DEVELOPMENT

The Group also launched the upgraded Stand-alone Version Software in the second 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 launched 3 new products for Network Version of securities analysis software in May 2002: the software which could be automatically shifted between satellite and DDN (Digital Data Network) that are currently the accessible resources for stock market information, so as to avoid information interrupted by resources; the software with expanded capacity that enables securities houses to serve more customers and the internet version of securities analysis software called "Internet Winner" which enables securities houses provide securities analysis information to their customers through their own internet websites.

RESEARCH AND DEVELOPMENT

The objectives of the research and development team, are continuously upgrading its software for DOS system and newly introduced Windows versions. The Group has set up a research and development center in Taipei, Taiwan in the first quarter of 2000, and 4 research professionals have been recruited to develop new products. The research team in Taipei reduced to 2 staff after the Group's restructures in May 2002.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2002, total assets of the Group were RMB 83,220,000, which were financed by current liabilities of 20,359,000 and shareholder equity of 62,821,000. The Group had a current ratio of the working capital at approximately 3:1. At 30 June 2002, the Group did not have any short-term nor long-term bank loans, and the cash and cash equivalents of the Group amounted to RMB 54,107,000.

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 HKD49.6 million raised during our IPO and up to 30 June 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 26th 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 Atgames, approximately HKD3.2 million was used to set up Worry-Free Taipei Branch, and approximately HKD15 million was used to accommodate working capital. Cash and bank balance of the Group as at 30 June 2002 were RMB54.1 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 six months ended 30 June 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 SHARES

As at 30 June 2002, 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") 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
Chen Si Yuan	Personal	1,875,000
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 30 June 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 58.195% interest in the Company.

On 1 August 2002, Qianlong Technology Incorporation has entered into a sales & purchase agreement with the ultimate shareholders of Willing to acquire 58.195% of voting rights or 122,500,000 shares of the Company. Pursuant to the sales & purchase agreement, the ultimate shareholders of Willing will hold their shares through their respective holding companies. Please refer to Announcement on GEM website date 1 August 2002 for detailed information.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES

Pursuant to a written resolution 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 share which have been fully 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 specific 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 granting; (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 30 June 2002, 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 forgoing, at no time during the period ended 30 June 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 30 June 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 <i>(Note)</i>
Qianlong Technology Incorporation	122,500,000
Willing Systems Corporation	122,500,000

Notes: Willing Systems Corporation (“Willing”) 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.

On 1 August 2002, Qianlong Technology Incorporation has entered into a sales & purchase agreement with the ultimate shareholders of Willing to acquire 58.195% of voting rights or 122,500,000 shares of the Company. Pursuant to the sales & purchase agreement, the ultimate shareholders of Willing will hold their shares through their respective holding companies. Please refer to Announcement on GEM website date 1 August 2002 for detailed information.

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 normal 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 normal consideration of USD1 for a period from September 1999 to November 2007.

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 any time during the period of six months ended 30 June 2002.

COMPETING INTERESTS

Willing Systems Corporation, being management and the ultimate shareholders of the Company, was formerly 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. Willing System Corporation ceased such business and became an investment holding company since January 2001.

SPONSOR'S INTERESTS

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

As at 30 June 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.

**COMPLIANCE WITH THE RULES OF 5.28 TO 5.39 OF GEM
LISTING RULES**

The Company has complied throughout the six-month period ended 30 June 2002 with the Rules of 5.28 to 5.39 (if applicable) of GEM Listing Rules as set out by the Stock Exchange of Hong Kong Limited.

By order of the board

Chen Shen Tien

Chairman

12 August 2002