



**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**

**2003**

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

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*This report, for which the directors (the “Directors”) of Qianlong Technology International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report 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 14% to RMB 7,477,000.
- Net profit after taxation was RMB 1,592,000.
- Basic earnings per share of RMB 0.76 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 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

### Group Results

	<i>Note</i>	<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2003</b>	<b>2002</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	<u>7,477</u>	<u>8,644</u>
Profit /(loss) from operations		2,825	(1,904)
Share of (loss) of associates		<u>(697)</u>	<u>(428)</u>
Profit /(loss) before taxation		2,128	(2,332)
Taxation	3	<u>(536)</u>	<u>(220)</u>
Profit /(loss) after taxation		1,592	(2,552)
Minority interest		<u>0</u>	<u>0</u>
Profit /(loss) attributable to shareholders		<u>1,592</u>	<u>(2,552)</u>
Dividends	4	<u>0</u>	<u>0</u>
Basic earnings /(loss) per share (RMB cents)	5	0.76	(1.21)

## 1. BASIS OF PREPARATION

The principal accounting policies adopted in preparing the Group's unaudited consolidated results conform to accounting principles generally accepted in Hong Kong and accounting standard issued by the Hong Kong Society of Accountants.

## 2. TURNOVER

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

Turnover represents the sales value of goods supplied to customers and maintenance and consulting service fees receivable, net of goods returned, trade discounts, value added tax and business 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 recognised in turnover during the respective periods is as follows:

	<b>Three months ended 31 March</b>			
	<b>2003</b>		<b>2002</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Maintenance services fees	6,833	91	6,970	81
Sale of computer software	561	8	1,412	16
Others	83	1	262	3
	<u>7,477</u>	<u>100</u>	<u>8,644</u>	<u>100</u>

## 3. TAXATION

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2003</b>	<b>2002</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	0	0
PRC	536	220
	<u>536</u>	<u>220</u>

No provision for Hong Kong Profits Tax has been made for the period 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.

#### 4. DIVIDENDS

The board of directors does not recommend the payment of any dividend attributable to the three months ended 31 March 2003 (2002: RMB Nil).

#### 5. BASIC EARNINGS/(LOSS) PER SHARE

	Three months ended	
	31 March	
	2003	2002
Earnings/(Loss) per share (RMB cents)	<u>0.76</u>	<u>(1.21)</u>

The calculation of basic earnings per share for the three months ended 31 March 2003 is based on the profit attributable to shareholders for the three months ended 31 March 2003 of RMB1,592,000 divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

The calculation of basic 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.

There were no dilutive potential ordinary shares in issue during the periods ended 31 March 2003 and 31 March 2002.

#### 6. RESERVES

	Enterprise						Total RMB'000
	Share premium RMB'000	Exchange reserve RMB'000	General reserve RMB'000	expansion fund RMB'000	Retained earnings RMB'000	Merger reserve RMB'000	
At 1 January 2002	33,124	(175)	6,538	1,541	(15,786)	23,765	49,007
Loss for the period	—	—	—	—	(2,552)	—	(2,552)
Exchange differences on translation	—	—	—	—	—	—	—
At 31 March 2002	<u>33,124</u>	<u>(175)</u>	<u>6,538</u>	<u>1,541</u>	<u>(18,338)</u>	<u>23,765</u>	<u>46,455</u>
At 1 January 2003	33,124	(176)	6,782	1,541	(30,909)	23,765	34,127
Profit for the period	—	—	—	—	1,592	—	1,592
Exchange differences on translation	—	(9)	—	—	—	—	(9)
At 31 March 2003	<u>33,124</u>	<u>(185)</u>	<u>6,782</u>	<u>1,541</u>	<u>(29,317)</u>	<u>23,765</u>	<u>35,710</u>

# MANAGEMENTS' DISCUSSION AND ANALYSIS

## Financial Review

For the period ended 31 March 2003, the Group reported a turnover of RMB7,477,000 representing a decrease of 14% as compared with that for the same period of the previous year. The decrease was due to the 60% sales decline of securities analysis software as a result of the stagnant stock market in the PRC and no additional openings from securities brokers. The maintenance services fees have also dropped 2% primarily because a number of clients have upgraded "Integration Version 100" from the previous "Integration Version" with a promotion package of 50% discount on the annual maintenance services fees and some securities brokers have ceased to use the Company's software.

On the other hand, the Group recorded a net profit attributable to shareholders of RMB1,592,000 for the three months ended 31 March in 2003, whereas a net loss attributable to shareholder of RMB2,552,000 was recorded for the same period in the previous year. The profit for the three months ended 31 March 2003 was achieved primarily as a result from the following reasons:

- 1) After the restructure of the Group in 2002, the operating cost has been reduced, resulting in a profit having been achieved for the three months ended 31 March 2003 despite a drop in turnover compared to the prior period; and
- 2) Ningbo Qianlong Computer Software Company Limited, one of the Group's subsidiaries, earned an income of RMB2,200,000 representing compensations receivable in connection with leasehold improvements for the formerly leased offices in Qibao Town, Shanghai.

## Product Development

In the first quarter of 2003, the Group launched the upgraded Network Version of securities analysis software, which runs on both Windows and DOS systems with additional functions:

- (1) Supporting the change on minimum scale of spreads for mutual fund listed in Shanghai and Shenzhen Stock Exchange from RMB1 cent to RMB0.1 cent;
- (2) Providing data services and related tools of "Qianlong Data Communication System", and also launching services to upgrade the financial data for the single share and exact dividends' information;
- (3) Enhancing the management functions of "Long DCD", which enables more intelligent system operation and more convenient maintenance;
- (4) Enhancing functions for the DOS Version analysis software at customer end;

- (5) Starting to use the latest Windows version analysis software at customer end; and
- (6) Enabling the webmaster to set up some criteria on DOS Version to limit the daily frequency to access the terminal for the Magcard holders.

After marketing and training, the upgraded software functions as well as excellent features have been greatly welcomed by the users. The Group will continue to develop new products or functions to keep its leading position in the market.

### **Prospects**

After last year's restructure, the Group will maintain the competitive strategy to concentrate on core business development, that is to engage mainly in the development, production and distribution of securities analysis software. To meet this goal, the Group will adopt the following steps:

- 1) Upgrade the internet version of securities analysis software and develop new products such as securities choice server, online securities transaction system and securities brokers system to keep the leading position and strengthen the traditional advantages and competitive power in the market.
- 2) Develop customer analysis software for various versions such as the Professional Version and the Classical Version to meet different users' requirements.
- 3) Provide enterprises customers with full series of services ranging from maintenance, training, consulting and tailor made products through the newly established customer service center.

The Directors believe the Group's performance will be improved and the prospect for the Group is positive and bright in 2003.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the three months ended 31 March 2003 neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## DIRECTORS AND CHIEF EXECUTIVE'S SHARES

As at 31 March 2003, 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> )	40,250,000
Fan Ping Yi	Corporate ( <i>Note</i> )	24,500,000
Yang Ching Shou	Corporate ( <i>Note</i> )	24,500,000
Chen Ming Chuan	Corporate ( <i>Note</i> )	18,375,000
Yu Shih Pi	Corporate ( <i>Note</i> )	14,875,000

*Note:* At 31 March 2003, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited holding 40,250,000 shares, representing 19.121% interest in the Company. Mr. Fan Ping Yi and his wife Ms. Ko Hsiu Fen are the shareholders of Sapphire World Investment Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Yang Ching Shou and his wife Ms. Lai Ying Ming are the shareholders of Legend Isle Technology Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Chen Ming Chuan is the absolute shareholder of Star Channel Technology Limited holding 18,375,000 shares, representing 8.729% interest in the Company. Mr. Yu Shih Pi is the absolute shareholder of Star Orient Global Limited holding 14,875,000 shares, representing 7.067% interest in the Company.

## 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.

Within three months ended 31 March 2003, 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 31 March 2003 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 2003, 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</b>
Red Coral Financial Limited	40,250,000
Sapphire World Investment Limited	24,500,000
Legend Isle Technology Limited	24,500,000

*Note:* At 31 March 2003, Mr. Chen Shen Tien is the absolute shareholder of Red Coral Financial Limited holding 40,250,000 shares, representing 19.121% interest in the Company. Mr. Fan Ping Yi and his wife Ms. Ko Hsiu Fen are the shareholders of Sapphire World Investment Limited holding 24,500,000 shares, representing 11.639% interest in the Company. Mr. Yang Ching Shou and his wife Ms. Lai Ying Ming are the shareholders of Legend Isle Technology Limited holding 24,500,000 shares, representing 11.639% interest in the Company.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Pursuant to an agreement dated 22 September 1999 made between the Company and the Company's previous ultimate holding company, Willing Systems Corporation ("Willing"), Willing agreed to assign its service mark registered in Taiwan with a registration period expiring in November 2007 to the Company for a nominal consideration of USD1. On 23 September 1999 the Company entered into another agreement with Willing pursuant to which the Company licensed the use of the service mark in Taiwan exclusively to the previous ultimate holding company for a nominal consideration of USD1 for the 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 three months ended 31 March 2003.

## **SPONSOR'S INTERESTS**

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

As at 31 March 2003, 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 fees 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 in compliance with the requirements as set out in Rule 5.23 and 5.24 of the GEM Listing Rules. The current committee members comprising 3 members of Mr. Chen Shen Tien, Ms. Chiu Kam Hing, Kathy, and Mr. Hsu Wen Huei. The committee has constantly made its duties to review and supervise the financial reporting process and internal control system of the Group, and provide advice and comments to the board of directors of the Company.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied throughout the three-month period ended 31 March 2003 with the board practices and procedures as set out in Rules of 5.28 to 5.39 (if applicable) of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited.

By order of the board  
**Chen Shen Tien**  
*Chairman*

14 May 2003