



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”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 10.76% to RMB22,784,000.
- Net profit after taxation was RMB4,098,000.
- Basic earnings per share of RMB1.95 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 nine months and three months ended 30 September 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

GROUP RESULTS

		Nine Months Ended 30 September		Three Months Ended 30 September	
		2003	2002	2003	2002
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2	<u>22,784</u>	<u>25,530</u>	<u>7,518</u>	<u>8,068</u>
Profit/(loss) from operations		6,017	(9,577)	332	(2,303)
Share of profit/(loss) of associates		<u>(846)</u>	<u>(972)</u>	<u>819</u>	<u>(231)</u>
Profit/(loss) before taxation		5,171	(10,549)	1,151	(2,534)
Taxation	3	<u>(1,073)</u>	<u>(764)</u>	<u>(234)</u>	<u>(219)</u>
Profit/(loss) after taxation		4,098	(11,313)	917	2,753
Minority interests		<u>—</u>	<u>(17)</u>	<u>—</u>	<u>1</u>
Profit/(loss) attributable to shareholders		<u>4,098</u>	<u>(11,330)</u>	<u>917</u>	<u>(2,752)</u>
Dividends	4	—	—	—	—
Basic earnings/(loss) per share (RMB cents)	5	1.95	(5.38)	0.44	(1.30)

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 services and investment in other Information Technology companies.

Turnover represents the sales value of goods supplied to customers and the 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 recognized in turnover during the respective periods is as follows:

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Maintenance services fees	20,972	21,044	7,229	7,112
Sale of computer software	1,552	3,949	187	956
Consulting services fees	260	537	102	—
	<u>22,784</u>	<u>25,530</u>	<u>7,518</u>	<u>8,068</u>

3. TAXATION

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	<u>1,073</u>	<u>764</u>	<u>234</u>	<u>219</u>
	<u>1,073</u>	<u>764</u>	<u>234</u>	<u>219</u>

No provision for Hong Kong Profits Tax has been made for the periods as the Group did not earn operating profits subject to Hong Kong Profits Tax. The provision for PRC taxation is based on the estimated taxable income for PRC taxation purposes at the appropriate rate applicable to each period.

4. DIVIDENDS

The board of directors does not recommend the payment of any dividends attributable to the nine months ended 30 September 2003.

5. BASIC EARNINGS/(LOSS) PER SHARE

	Nine Months Ended 30 September		Three Months Ended 30 September	
	2003	2002	2003	2002
Earnings/(loss) per share (RMB cents)	<u>1.95</u>	<u>(5.38)</u>	<u>0.44</u>	<u>(1.30)</u>

The calculation of the basic earnings per share for the nine months and three months ended 30 September 2003 respectively is based on the profit attributable to shareholders of RMB4,098,000 and RMB917,000 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 nine months and three months ended 30 September 2002 respectively is based on the loss attributable to shareholders of RMB11,330,000 and RMB2,752,000 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 nine months ended 30 September 2003 and 30 September 2002.

6. 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 2002	22,420	33,124	(175)	6,538	1,541	(15,786)	23,765	71,427
Loss for the period	—	—	—	—	—	(11,330)	—	(11,330)
Exchange differences on translation	—	—	49	—	—	—	—	49
Transfer between reserves	—	—	—	140	—	(140)	—	—
At 30 September 2002	<u>22,420</u>	<u>33,124</u>	<u>(126)</u>	<u>6,678</u>	<u>1,541</u>	<u>(27,256)</u>	<u>23,765</u>	<u>60,146</u>
At 1 January 2003	22,420	33,124	(176)	6,782	1,541	(30,909)	23,765	56,547
Profit for the period	—	—	—	—	—	4,098	—	4,098
Exchange differences on translation	—	—	156	—	—	—	—	156
Transfer between reserves	—	—	—	(1,015)	(1,541)	2,556	—	—
At 30 September 2003	<u>22,420</u>	<u>33,124</u>	<u>(20)</u>	<u>5,767</u>	<u>—</u>	<u>(24,255)</u>	<u>23,765</u>	<u>60,801</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2003, the Group reported a turnover of RMB22,784,000, representing a decrease of 10.76 % as compared with that for the same period of the previous year. The sales decrease was due to no additional openings by securities houses. Therefore, compared to the same period of the previous year, the sales of securities analysis software have decreased 60.70% and maintenance services fees have also dropped 0.3% 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 houses have ceased to use the Company's software.

On the other hand, the Group recorded a net profit after taxation of RMB4,098,000 for the nine months ended 30 September 2003, whereas a net loss after taxation of RMB11,313,000 was recorded for the same period of the previous year. The profit achieved in the nine months ended 30 September 2003 resulted from the following reasons:

- (1) After the restructure of the Group in 2002, operation costs have greatly decreased. Accordingly net profit was achieved for the period ended 30 September 2003 compared to losses in the same period of the previous year despite turnover having dropped; and
- (2) Ningbo Qianlong Computer Software Company Limited, one of the Group's subsidiaries, has received RMB2,200,000 representing subsidy for leasehold improvements undertaken at the former rented offices in Qibao Town, Shanghai.

PROSPECTS

After last year's restructuring exercise, the Group will maintain its competitive strategy of concentrating 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 network version of securities analysis software and develop new products such as securities choice server, online securities transaction system and securities brokers system to maintain its leading position and strengthen its 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; and
- (3) Provide enterprises customers with a full range of services from maintenance, training, consulting and tailor made products through the newly established customer service center.

The Directors believe that the Group's performance will continually improve and the prospects for the Group are getting positive and brighter in 2003.

PRODUCT DEVELOPMENT

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

- (1) Supporting the change on minimum scale of spreads for mutual funds 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 “Londcd”, 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 activities and training sessions to distributors and securities brokers, the upgraded software functions as well as the excellent features have been greatly welcomed by the users. The Group will continue to develop new products or functions to maintain its leading position in the market.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 100 as at 1 January 2003 to 103 as at 30 September 2003. The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include retirement benefits, a provident fund and a medical plan.

BOND INVESTMENT

In March 2003, one of the Group’s subsidiaries, Shanghai Qianlong High Advanced Company Limited, invested RMB35,000,000 in a Treasury Bond listed in Shanghai Stock Exchange with a fixed annual yield of 2.66%.

As at September 30, 2003, the cash and cash equivalent value of Shanghai Qianlong High Advanced Company Limited is RMB15,114,000. Therefore Shanghai Qianlong High Advanced Company Limited has sufficient working capital to operate the regular business of the Company and maximize the profits of the Company by investing in the Treasury Bond.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2003 or as at 30 September 2002.

FINANCIAL RESOURCES, LIQUIDITY AND TREASURY POLICIES

Cash and bank balances of the Group as at 30 September 2003 were RMB25,145,000 equivalent, representing the funds generated from the Group's operation. The Group had a working capital ratio of approximately 3.40:1.

GEARING RATIO

Ever since its establishment, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Therefore, the gearing ratio of the Group, which is net borrowings over shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any securities or mortgages.

EXPOSURE ON EXCHANGE RATE FLUCTUATION

Most of the income and expenditure of the Group were denominated either in Renminbi or Hong Kong dollars. In view of the stability of the exchange rate between these two currencies, the Group has not been subject to equivalent exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purposes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the nine months ended 30 September 2003, 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 September 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 30 September 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 shares 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 at 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 the nine months ended 30 September 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 nine months ended 30 September 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 30 September 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.

Name	Number of the shares held
Red Coral Financial Limited	40,250,000
Sapphire World Investment Limited	24,500,000
Legend Isle Technology Limited	24,500,000

Note: At 30 September 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 the nine months ended 30 September 2003.

SPONSOR'S INTERESTS

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

As at 30 September 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 into 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 audit committee comprises the following three members, Mr. Chen Shen Tien, Ms. Chiu Kam Hing, Kathy, and Mr. Hsu Wen Huei. The audit 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 nine-months ended 30 September 2003 with the board practices and procedures as set out in Rules of 5.28 to 5.39 (where applicable) of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited.

By order of the board
Chen Shen Tien
Chairman

12 November 2003