



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

2004

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 increased by 8% to RMB 8,075,000.
- Net profit after taxation was RMB 496,000.
- Basic earnings per share was RMB 0.24 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 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

Group Results

		Three months ended	
		31 March	
		2004	2003
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	8,075	7,477
Profit from operations		1,431	2,825
Share of loss of associates		(436)	(697)
Profit before taxation		995	2,128
Taxation	3	(499)	(536)
Profit after taxation		496	1,592
Minority interest		0	0
Profit attributable to shareholders		496	1,592
Dividends	4	0	0
Basic earnings per share (RMB cents)	5	0.24	0.76

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 standards 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, 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 and consulting service fees receivable, net of goods returned, trade discounts, value added tax and business 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 year is as follows:

	Three months ended 31 March			
	2004		2003	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Maintenance services fees	6,668	83	6,833	91
Sale of computer software	1,170	14	561	8
Gross rental income from investment property	174	2	—	—
Others	63	1	83	1
	<u>8,075</u>	<u>100</u>	<u>7,477</u>	<u>100</u>

3. TAXATION

	Three months ended 31 March	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	0	0
PRC	499	536
	<u>499</u>	<u>536</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 a dividend attributable to the three months ended 31 March 2004 (2003: RMB Nil).

5. BASIC EARNINGS PER SHARE

	Three months ended	
	31 March	
	2004	2003
Earnings per share (RMB cents)	<u>0.24</u>	<u>0.76</u>

The calculation of earnings per share for the three months ended 31 March 2004 is based on the profit attributable to shareholders for the three months ended 31 March 2004 of RMB496,000 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 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.

There were no dilutive potential ordinary shares in issue during the periods ended 31 March 2004 and 2003.

6. RESERVES

	Share premium	Exchange reserve	Enterprise		Retained earnings	Merger reserve	Revaluation reserve	Total
			General reserve	Expansion fund				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>—</u>	<u>35,710</u>
At 1 January 2004	33,124	4	6,377	—	(24,825)	23,765	107	38,552
Profit for the period	—	—	—	—	496	—	—	496
Exchange differences on translation	—	(333)	—	—	—	—	—	(333)
At 31 March 2004	<u>33,124</u>	<u>(329)</u>	<u>6,377</u>	<u>—</u>	<u>(24,329)</u>	<u>23,765</u>	<u>107</u>	<u>38,715</u>

MANAGEMENTS' DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the period ended 31 March 2004, the Group reported a turnover of RMB8,075,000 representing an increase of 8% as compared with that for the same period of the previous year. The increase was due to the positive movement in the PRC stock market this year and the purchase of new products by securities brokers from the Company. Therefore the sales of securities software have increased 109% compared to the same period in the previous year.

However, the Group recorded a net profit attributable to shareholders of RMB496,000 for the three months ended 31 March in 2004, whereas a net profit attributable to shareholders of RMB1,592,000 was recorded for the same period in the previous year. The decrease in profit for the period ended 31 March 2004 was resulted from the following reasons:

In the period ended 31 March 2003, Ningbo Qianlong Computer Software Company Limited, one of the Group's subsidiaries, earned income of RMB2,200,000, representing compensation for the leasehold improvement of the formerly rented offices in Qibao Town, Shanghai.

Product Development

In the first half year of 2004, the Group upgraded the Network Version of securities analysis software and launched a series of important new functions meeting the latest requirements of the securities investors, being the largest scale of upgrade in the Group's history.

1. Finance Living Broadcast Center

The Finance Living Broadcast Center is a totally new function of Qianlong end user securities analysis software providing an information platform with the reports and analysis from varied information consultants. Among this information, Today's Focus will pop up to show gusty and important living information, and Specific Stock Financial Review will appear in the form of an information radar graph.

2. Mobile Phone SMS Financing

Mobile Phone SMS Financing is a crossing platform message service system for securities. Investors may subscribe to the SMS service which has abundant market information, announcements and forecast warning through Qianlong Dynamic Analysis system, Qianlong Exchanging Center or website. This function is only available to users of mobile phones which are equipped to receive Chinese messages.

3. **Hong Kong Securities**

Investors may read the historical data of the Hong Kong market using Qianlong Data Communication System, the same as the Shanghai and Shenzhen Stock Exchange. Investors can check the historical K Graph and varied technical analysis chart by inputting the stock code or abbreviated name in Pin Yin. If securities brokers have the legally authorized H Stock market information, the investors will read the Real-time information for Hong Kong Stocks. At the same time the securities brokers have the right to fix and control the numbers of end users of real-time market information.

4. **In-line Consignment Function**

We have increased the In-line Consignment function and will tailor this function according to securities brokers' difference system data interface needs and have already successfully implemented this function for one of the largest securities broker in China - Shenyin & Wanguo Securities Co., Ltd.

5. **Other new functions**

- (1) In the technology analysis chosen cycle, Minute lines were put after the Date lines and other lines.
- (2) The information of current treasury bond interest was moved under the Announcement Information Menu.
- (3) The right-side information frame for specific stocks was adjusted to up and down frames. The up side is the index information for the specific stock and the down side is the index information for the whole market.

After propaganda and training, the upgraded new functions and excellent features have been greatly welcomed by the users. The Group continues to develop new productions or functions to keep its leading position in the market.

Projects

After hard efforts, the Group has made a great achievement on the policy to concentrate on core business development. The Group not only maintains its leading position in its traditional market place, that is network versions used for real-time transactions in the securities broking companies, but also continues to develop new on-line transaction products.

In accordance with the Corporation's market strategy, the Group will expand training and education for clients and develop their loyalty, and customize the large system business for group clients to improve the technological status for the products. At the same time the Group will also develop information service and provide convenient and effective end user software for investors to follow market information and analyze data.

The Directors believe the Group's policy is effective and the Group's performance will continue to be improved and the prospects for the Group are more positive and bright in 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 March 2004 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 2004, 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	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 2004, 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. Mr. Yu Shi Pi has retired by rotation as an executive director at the Annual General Meeting of the Company held on 18 April 2004.

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 2004, 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 2004 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 2004, 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 (<i>Note</i>)	40,250,000
Sapphire World Investment Limited (<i>Note</i>)	24,500,000
Legend Isle Technology Limited (<i>Note</i>)	24,500,000

Note: At 31 March 2004, 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 holding company, Willing Systems Corporation ("Willing"), Willing agreed to assign its service mark registered in Taiwan 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 Willing pursuant to which the Company licensed the use of the service mark in Taiwan exclusively to the 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 three month period ended 31 March 2004.

SPONSOR'S INTERESTS

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

As at 31 March 2004, neither CSC Asia Limited, nor its directors, employees or associates had any interest in the share capital of the Company.

Pursuant to the Agreement dated 21 November 2003 entered into between the Company and CSC Asia Limited, CSC Asia Limited was reappointed as the Company's sponsor for the period from 1 January 2004 to 31 December 2005.

AUDIT COMMITTEE

The Group 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 comprises 3 members, 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 to provide advice and comments to the board of directors of the Company. Mr. Hsu Wen Huei has retired by rotation as a non-executive director at the Annual General Meeting of the Company on 18 April 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the three-month period ended 31 March 2004 with board practices and procedures as set out in Rules of 5.28 to 5.39 of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited.

By order of the board
Chen Shen Tien
Chairman

12 May 2004