



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)

(Stock Code: 8015)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 0.5% to RMB 23,185,000.
- Net profit attributable to shareholders was RMB 988,000.
- Basic earnings per share was RMB 0.47 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 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Nine Months Ended 30 September		Three Months Ended 30 September	
		2004	2003	2004	2003
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	<u>23,185</u>	<u>23,305</u>	<u>7,272</u>	<u>7,691</u>
Profit/(loss) from operations		2,563	6,017	(290)	1,408
Share of loss of associates		(527)	(846)	(46)	(257)
Profit/(loss) before taxation		2,036	5,171	(336)	1,151
Taxation	3	<u>(1,053)</u>	<u>(1,073)</u>	<u>(247)</u>	<u>(234)</u>
Profit/(loss) after taxation		983	4,098	(583)	917
Minority interests		<u>5</u>	<u>—</u>	<u>5</u>	<u>—</u>
Profit/(loss) attributable to shareholders		<u>988</u>	<u>4,098</u>	<u>(578)</u>	<u>917</u>
Dividends	4	—	—	—	—
Basic earnings/(loss) per share (RMB cents)	5	0.47	1.95	(0.27)	0.44

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 Institute of Certified Public 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 Information Technology companies.

Turnover represents the sales value of goods supplied to customers, the maintenance and consulting service fees receivable, net of goods returned, trade discounts, value added tax and business tax, and gross rental income from investment property. 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:

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Maintenance services fees	20,016	20,972	6,678	7,229
Sale of computer software	1,835	1,552	349	187
Gross rental income from investment property	521	521	173	173
Consulting services fees	214	260	71	102
Others	599	—	1	—
	<u>23,185</u>	<u>23,305</u>	<u>7,272</u>	<u>7,691</u>

3. TAXATION

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong	—	—	—	—
PRC	1,053	1,073	247	234
	<u>1,053</u>	<u>1,073</u>	<u>247</u>	<u>234</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 2004 and 2003.

5. BASIC EARNINGS/(LOSS) PER SHARE

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2004	2003	2004	2003
Earnings/(loss) per share (RMB cents)	0.47	1.95	(0.27)	0.44

The calculation of the basic earnings per share for the nine months and the basic loss per share for the three months ended 30 September 2004 is based on the profit attributable to shareholders of RMB 988,000 and the loss attributable to shareholders of RMB578,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

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.

There were no dilutive potential ordinary shares in issue during the nine months ended 30 September 2004 and 2003.

6. RESERVES (UNAUDITED)

	Share premium	Exchange reserve	Enterprise				Merger reserve	Revaluation reserve	Total
			General reserve	Expansion fund	Accumulated Losses				
	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	–	–	–	–	4,098	–	–	4,098	
Exchange differences on translation	–	156	–	–	–	–	–	156	
Transfer between reserves	–	–	(1,016)	(1,541)	2,557	–	–	–	
At 30 September 2003	<u>33,124</u>	<u>(20)</u>	<u>5,766</u>	<u>–</u>	<u>(24,254)</u>	<u>23,765</u>	<u>–</u>	<u>38,381</u>	
At 1 January 2004	33,124	4	6,377	–	(24,825)	23,765	107	38,552	
Profit for the period	–	–	–	–	988	–	–	988	
Exchange differences on translation	–	8	–	–	–	–	–	8	
At 30 September 2004	<u>33,124</u>	<u>12</u>	<u>6,377</u>	<u>–</u>	<u>(23,837)</u>	<u>23,765</u>	<u>107</u>	<u>39,548</u>	

MANAGEMENTS' DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 30 September 2004, the Group reported a turnover of RMB23,185,000 representing a decrease of 0.5% as compared with that for the same period of the previous year. The Group recorded a net profit attributable to shareholders of RMB988,000 for the nine months ended 30 September 2004, whereas a net profit attributable to shareholders of RMB4,098,000 was recorded for the same period in the previous year. The decrease in net profit attributable to shareholders for the nine months ended 30 September 2004 was because:

1. Ningbo Qianlong Computer Software Company Limited, one of the Group's subsidiaries, had earned income of RMB2,200,000, representing compensation for the leasehold improvement of the formerly rented offices in Qibao Town, Shanghai in the nine months ended 30 September 2003, while no such income occurred in the nine months ended 30 September 2004; and
2. For the nine months ended 30 September 2004, a provision of RMB1,367,681.00 has been made to reflect the diminution in value of national bonds held by the Group, but for the nine months ended 30 September 2003, no such provision needed to be made.

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 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 various information consultants. Among this information, Today's Focus will pop up to show abrupt 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 Qianlong 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, and also 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' different 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 technical analysis, Minute lines were put after the Date lines and other lines when choosing periods.
- (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 advertising 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.

PROSPECTS

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 broker 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.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 107 as at 1 January 2004 to 117 as at 30 September 2004. 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period ended 30 September 2004, 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 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Name of directors	Type of interest	Number of shares held	Percentage of the Company's issued share capital
Chen Shen Tien	Corporate <i>(Note)</i>	40,250,000	19.121%
Fan Ping Yi	Corporate <i>(Note)</i>	24,500,000	11.639%
Yang Ching Shou	Corporate <i>(Note)</i>	24,500,000	11.639%
Chen Ming Chuan	Corporate <i>(Note)</i>	18,375,000	8.729%
Liao Chao Ping	Personal <i>(Note)</i>	5,000,000	2.375%

Note: At 30 September 2004, Mr. Chen Shen Tien is the sole 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 sole shareholder of Star Channel Technology Limited holding 18,375,000 shares, representing 8.729% 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. Mr. Liao Chao Ping has been appointed as the executive director with effective on 28 October 2004.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 to 5.68 of the GEM Listing Rules.

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 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 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.

As at 30 September 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 within nine months ended 30 September 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 30 September 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 336 of the SFO, the Company had been notified of the following interests, being 5% or more in the issued share capital of the Company.

Name	Number of the shares held	Percentage of the Company's issued share capital
Red Coral Financial Limited	40,250,000	19.121%
Sapphire World Investment Limited	24,500,000	11.639%
Legend Isle Technology Limited	24,500,000	11.639%
Star Channel Technology Limited	18,375,000	8.729%
Star Orient Global Limited	14,875,000	7.067%

Note: At 30 September 2004, Mr. Chen Shen Tien is the sole 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 sole shareholder of Star Channel Technology Limited holding 18,375,000 shares, representing 8.729% interest in the Company. Mr. Yu Shih Pi is the sole shareholder of Star Orient Global Limited holding 14,875,000 shares, representing 7.067% interest in the Company.

Save as disclosed above, the Directors were not aware of any other person (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the listed issuer as recorded in the register required to be kept under section 336 of the SFO.

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 2004.

SPONSOR'S INTERESTS

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

As at 30 September 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 with written terms of reference pursuant to GEM listing Rules. The audit committee comprises 3 members namely, Ms. Chiu Kam Hing, Kathy, Mr. Cheong Chan Kei Ernest, and Mr. Chang Long Teng. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee. Mr. Hsu Wen Huei has retired by rotation as an independent non-executive director at the Annual General Meeting of the Company on 18 April 2004. Mr. Cheong Chan Kel Ernest and Mr. Chang Long Teng have been appointed as the independent non-executive directors and audit committee members with effective on 28 October 2004 pursuant to Rule 5.08 of the GEM Listing Rules. The audit committee has constantly made its duties to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the board of directors of the Company. The audit committee has reviewed the Group's unaudited consolidated results for the nine months ended 30 September 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the nine-month period ended 30 September 2004 with the board practices and procedures as set out in Rules of 5.34 to 5.45 of the GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the nine months ended 30 September 2004, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2004, the Company had adopted a code of conduct regarding of dealings set out in Rules 5.46 to 5.68 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

By order of the board
Chen Shen Tien
Chairman

12 November 2004

As at the date of this report, the board of directors comprises five executive directors, being Mr. Chen Shen Tien, Mr. Fan Ping Yi, Mr. Yang Ching Shou, Mr. Cheng Ming Chuan and Mr. Liao Chao Ping, and three independent non-executive directors, Ms. Chiu Kam Hing, Kathy, Mr. Cheong Chan Kei Ernest and Mr. Chang Long Teng.