



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

2005

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 of Qianlong Technology International Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) 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 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 13% to RMB 7,033,000.
- Profit attributable to shareholders was RMB 665,000.
- Basic earnings per share of RMB 0.32 cents.

FIRST 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 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three Months Ended 31 March 2005	Three Months Ended 31 March 2004
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	<u>7,033</u>	<u>8,075</u>
Profit from operations		1,273	1,327
Share of loss of associates		<u>(67)</u>	<u>(436)</u>
Profit before taxation		1,206	891
Taxation	3	<u>(542)</u>	<u>(499)</u>
Profit after taxation		664	392
Minority interests		<u>1</u>	<u>—</u>
Profit attributable to shareholders		<u>665</u>	<u>392</u>
Dividends	4	<u>—</u>	<u>—</u>
Basic earnings per share (RMB cents)	5	0.32	0.19

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.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has adopted these new HKFRSs in the financial statements for the three months ended 31 March 2005.

The changes in accounting policies which have material impacts on the Group are set out below:

In prior years, the Group carried its investment property at valuation with no depreciation. Following the adoption of Hong Kong Accounting Standard 40, the investment property is recorded at cost less depreciation.

The new accounting policy has been adopted retrospectively, with the opening balances of accumulated losses and revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in the changes in reserves.

2. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the Group are the research, development and distribution of computer software, the provision of the related maintenance and consulting services and investments in other information technology companies.

Turnover represents the sales value of goods supplied to customers, 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 (the "PRC"). The amount of each significant category of revenue recognised in turnover during the respective periods is as follows:

	Unaudited	
	Three Months Ended 31 March 2005	Three Months Ended 31 March 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Maintenance services fees	6,488	6,668
Sale of computer software	321	1,170
Gross rental income from investment property	174	174
Consulting services fees	50	63
	<u>7,033</u>	<u>8,075</u>

3. TAXATION

	Unaudited	
	Three Months Ended	Three Months Ended
	31 March 2005	31 March 2004
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	<u>542</u>	<u>499</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 the PRC taxation is based on the estimated taxable income for the PRC taxation purposes at the appropriate rate applicable to each period.

4. DIVIDENDS

The Board does not recommend the payment of any dividends attributable to the three months ended 31 March 2005 and 2004.

5. BASIC EARNINGS PER SHARE

	Unaudited	
	Three Months Ended	Three Months Ended
	31 March 2005	31 March 2004
Earnings per share (RMB cents)	<u>0.32</u>	<u>0.19</u>

The calculation of the basic earnings per share for the three months ended 31 March 2005 is based on the profit attributable to shareholders of RMB 665,000 (2004: RMB 392,000) divided by the weighted average number of 210,500,000 (2004: 210,500,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the three months ended 31 March 2005 and 2004.

6. RESERVES (UNAUDITED)

	Share premium RMB'000	Exchange reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Merger reserve RMB'000	Revaluation reserve RMB'000	Total RMB'000
At 1 January 2004							
– as previously reported	33,124	4	6,377	(24,825)	23,765	107	38,552
– prior period adjustments in respect of valuation of investment property	–	–	–	–	–	(107)	(107)
and reinforced depreciation of investment property	–	–	–	(660)	–	–	(660)
– as restated	33,124	4	6,377	(25,485)	23,765	–	37,785
Profit for the period	–	–	–	392	–	–	392
Exchange differences on translation	–	(333)	–	–	–	–	(333)
At 31 March 2004	<u>33,124</u>	<u>(329)</u>	<u>6,377</u>	<u>(25,093)</u>	<u>23,765</u>	<u>–</u>	<u>37,844</u>
At 1 January 2005							
– as previously reported	33,124	193	6,690	(19,840)	23,765	1,971	45,903
– prior period adjustments in respect of valuation of investment property	–	–	–	–	–	(1,971)	(1,971)
and reinforced depreciation of investment property	–	–	–	(1,076)	–	–	(1,076)
– as restated	33,124	193	6,690	(20,916)	23,765	–	42,856
Profit for the period	–	–	–	665	–	–	665
Exchange differences on translation	–	25	–	–	–	–	25
At 31 March 2005	<u>33,124</u>	<u>218</u>	<u>6,690</u>	<u>(20,251)</u>	<u>23,765</u>	<u>–</u>	<u>43,546</u>

MANAGEMENTS' DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March 2005, the Group recorded a turnover of RMB7,033,000 representing a decrease of 13% as compared with RMB8,075,000 for the same period of the previous year. The decrease of turnover was mainly due to the sales decline of computer software in the period. In the total turnover, RMB6,488,000 was from maintenance services fees, RMB321,000 was from sales of computer software, RMB174,000 was from gross rental income from investment property and RMB50,000 was from consulting services fees.

The Group recorded a profit attributable to shareholders of RMB665,000 for the three months ended 31 March 2005, whereas a profit attributable to shareholders of RMB392,000 was recorded for the same period in the previous year. The decrease in profit attributable to shareholders for the three months ended 31 March 2005 was because that in 2004, an income of RMB1,269,086 was recorded by the Group for writing back the provision for diminution in value of investment in debt securities due to an increase in the market value. No such income has been recorded for the three months ended 31 March 2004.

PRODUCT DEVELOPMENT

1. **Develop the online disclosure system namely, "Qianlong Internet Network Version"**
 - Diversify the structure to accommodate large scale of online transaction platform. Enhance the reliability by improving the conjunction among data servers and between attestation servers and data servers. Effectively control the system investment cost by upgrading the scale of system (i.e. the number of the servers) linearly.
 - Dynamic load equilibrium system can increase efficiency of system operation and enable the securities brokers' countrywide users to enjoy the excellent capability of the system.
 - Perfect the supervision system and decrease system operation cost.
 - Provide the solutions package of online consignment tool to meet the demand of large securities brokers.
 - Maintain and develop special edges to the end users, and strengthen the market demand continuously.

2. **Develop corporate clientele of the Group's consignment system, and strengthen the integrated edges of Qianlong Network Version.**

Qianlong Network Version's in-line consignment system enhances the existing consignment system engaged by the securities brokers to a new stage. It helps to enhance the operation and maintenance efficiency and decrease the cost of securities brokers. The one package function integrating market and consignment is well received by the end users. The consignment system will largely increase the integrated advantages of Qianlong's Network Version.

3. **Qianlong Gang Gu Tong**

Qianlong Gang Gu Tong (particularly for Hong Kong securities market) is the data service newly launched by the Group. In view that the mainland investors are now putting more attention on the investment opportunities in Hong Kong securities market. Qianlong Gang Gu Tong is the first market information vendor approved by the Exchange, so the Group have better market advantage. Qianlong Gang Gu Tong will use the dominant advantages among current end users and develop the perfect Hong Kong stocks market disclosure and analysis function in the current software used by the end users, which will enable the active investors in the PRC to understand and grasp Hong Kong securities market with a familiar manner.

4. **College Finance Education System**

College Finance Education System has a necessary and significant effect to the construction of finance colleges and faculties of the universities countrywide. Because products of the Group are the most widely used in the securities fields practically, as a kind of imitation environment for education, College Finance Education System is the first choice for colleges and universities undoubtedly. It will launch a whole set of perfect function to meet the actual education requirement and win the clients with its excellent and professional functions.

5. **Qianlong Network Version**

On this largest users platform, Qianlong Network Version will be used to develop value added services in the field of information and tailor made services to strengthen and consolidate the Group's market position.

PROSPECTS

The Group is in a leading position in the field of market disclosure system. More than 90% of securities houses and branches are the Group's long term users and a large number of investors use the Group's software to do investment and analysis everyday. The Group has already established "Qianlong" as a pronoun of securities software. The Group owns series of products and services including market disclosure and analysis tool, information releasing system, consignment system, market transfer tool, real time market data services (Hong Kong shares), tailor made services in accordance with clients' requirements, which forms a complete products chain supporting securities houses' front and back office business. The Group has the technical competence and practical experience to provide complete solutions for the high end clients; the Group also has a good financial status to provide a solid backup for the development of new market and new products; the Group owns a very stable and high caliber team with aggregation force. Owing to all of the above, the Group is fully confident to achieve success in the market competition under the guidance of the Board.

The new strategy of the year is to continuously strengthen the market of the original network version, keep the stable income, and on this basis to achieve breakthrough on the market of the three products including online market system, consignment system and real time data services for Hong Kong securities market.

The other purpose of the Group is to enable it's products going to other business fields of the securities brokers by tailoring additional products for them. These clients will become high end clients with higher value and stronger reliance on the Group, and the Group, will at least realize more and stable income by combining with its traditional network products.

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 2005.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 107 as at 31 March 2004 to 127 as at 31 March 2005. The total personnel cost for the three months ended 31 March 2005 was RMB3,533,000, representing an increase of 16% as compared with RMB3,046,000 recorded in the same period of the previous year. 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 three months ended 31 March 2005, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the interests of the Directors and chief executives 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 Exchange pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Name of Directors	Type of Interests	Number of shares held	Percentage of the Company's issued share capital
Liao Chao Ping	Personal (<i>note (ii)</i>)	5,000,000	2.375%
Chen Shen Tien	Corporate (<i>note (i) and (ii)</i>)	40,250,000	19.121%
Fan Ping Yi	Corporate (<i>note (i) and (ii)</i>)	24,500,000	11.639%
Yang Ching Shou, Peter	Corporate (<i>note (i) and (ii)</i>)	24,500,000	11.639%
Chen Ming Chuan	Corporate (<i>note (i) and (ii)</i>)	18,375,000	8.729%
Yu Shih Pi	Corporate (<i>note (i) and (ii)</i>)	14,875,000	7.067%

Notes: (i) As at 31 March 2005, Mr. Chen Shen Tien is the shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou, Peter and his spouse, Ms. Lai Ying Ming, are the shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 7.067% interest in the Company.

(ii) According to the register of substantial shareholders required to be maintained under section 336 of the SFO, the Company has been notified of these interests, being 5% or more of the issued share capital of the Company.

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 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 EXECUTIVES' 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 in 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 has 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 31 March 2005, no option has been granted to any Director or employee of the Company or any of its subsidiaries under this share option scheme.

Apart from the forgoing, at no time within three months ended 31 March 2005 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 AND UNDERLYING SHARES

As at 31 March 2005, 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: As at 31 March 2005, Mr. Chen Shen Tien is the shareholder of Red Coral Financial Limited which holds 40,250,000 shares, representing a 19.121% interest in the Company. Mr. Fan Ping Yi and his spouse, Ms. Ko Hsiu Fen, are the shareholders of Sapphire World Investment Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Yang Ching Shou, Peter and his spouse, Ms. Lai Ying Ming, are the shareholders of Legend Isle Technology Limited which holds 24,500,000 shares, representing a 11.639% interest in the Company. Mr. Chen Ming Chuan is the shareholder of Star Channel Technology Limited which holds 18,375,000 shares, representing a 8.729% interest in the Company. Mr. Yu Shih Pi is the shareholder of Star Orient Global Limited which holds 14,875,000 shares, representing a 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 or debentures of the Company as recorded in the register required to be kept under section 336 of 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 three months ended 31 March 2005.

SPONSOR'S INTERESTS

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

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.

As at 31 March 2005, neither CSC Asia Limited, nor its directors, employees or associates had any interest in the share capital of the Company.

AUDIT COMMITTEE

The Group established an audit committee in 1999 with written terms of reference pursuant to GEM Listing Rules. The current committee members comprise three independent non-executive Directors namely, Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng, and Mr. Cheong Chan Kei, Ernest. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee. The 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 the Company.

The Group's unaudited consolidated results for the three months ended 31 March 2005 have already been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the three-month period ended 31 March 2005 with the positions on board practices and procedures as set out in rules of 5.34 of the GEM Listing Rules, which was amended with effect from 1 January 2005. The Board will prepare a Corporate Governance Report of the GEM Listing Rules for the financial year ending 31 December 2005.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2005, 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 three months ended 31 March 2005, 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 the Directors.

By order of the Board
Liao Chao Ping
Chairman

13 May 2005