



**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)*

**THIRD QUARTERLY RESULTS**

**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.**

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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 8.62% to RMB 21,187,000.
- Profit attributable to shareholders of the Company was RMB 3,384,000.
- Basic earnings per share was RMB 1.61 cents.

## THE THIRD 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 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Nine Months Ended 30 September		Three Months Ended 30 September	
		2005 RMB'000	2004 RMB'000 <i>Restated</i>	2005 RMB'000	2004 RMB'000 <i>Restated</i>
Turnover	2	21,187	23,185	7,117	7,272
Cost of sales		(6,139)	(7,079)	(2,043)	(2,275)
Gross profit		15,048	16,106	5,074	4,997
Other revenue	3	3,643	3,948	1,203	1,285
Other net gains/(losses)	3	2,545	(1,878)	510	(1,218)
Distribution costs		(5,022)	(4,627)	(1,718)	(1,615)
Administrative expenses		(11,313)	(11,279)	(3,645)	(3,825)
Other operating expenses		(1)	(19)	—	(18)
Share of losses of associates		(91)	(527)	(5)	(46)
Profit/(loss) before taxation		4,809	1,724	1,419	(440)
Taxation	4	(1,428)	(1,053)	(250)	(247)
Profit/(loss) for the period		3,381	671	1,169	(687)
Attributable to:					
Shareholders of the Company		3,384	676	1,170	(682)
Minority interests		(3)	(5)	(1)	(5)
		3,381	671	1,169	(687)
Dividends	5	—	—	—	—
Basic earnings/(loss) per share (RMB cents)	6	1.61	0.32	0.56	(0.32)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN  
EQUITY (UNAUDITED)**

	<b>Nine months ended 30 September 2005</b>	<b>Nine months ended 30 September 2004</b>
	<i>RMB'000</i>	<i>Restated RMB'000</i>
Total equity at 1 January		
- as previously reported	68,356	61,008
- prior period adjustments in respect of investment properties (note 1)	<u>(3,047)</u>	<u>(767)</u>
- as restated	65,309	60,241
Exchange difference on translation of financial statements of foreign entities recognised directly in equity	(276)	8
Net profit for the period	<u>3,381</u>	<u>671</u>
Total recognised income and expense for the period attributable to:		
Shareholders of the Company	3,108	684
Minority interests	<u>(3)</u>	<u>(5)</u>
	<u>3,105</u>	<u>679</u>
Total equity at 30 September	<u><u>68,414</u></u>	<u><u>60,920</u></u>

## 1. BASIS OF PREPARATION

The Group's unaudited third quarterly financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules"), Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these third quarterly financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2004 except for the new adoption of HKFRSs and HKASs.

The Group has adopted all new and revised HKFRSs and HKASs issued by the HKICPA which are effective for the accounting periods beginning on or after 1 January 2005 in these third quarterly financial statements. The material impacts on the Group are set out below:

The adoption of HKAS 40 by the Group during the period has resulted in change in the Group's accounting policy for investment property. In prior years, the Group carried its investment property at valuation with no depreciation. Following the adoption of HKAS 40, the investment property is recorded at cost less accumulated depreciation and impairment.

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 condensed consolidated statement of changes in equity.

## 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 related maintenance and consulting services, and investment 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. No geographical analysis is shown as 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>Nine Months Ended</b>		<b>Three Months Ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maintenance service fees	19,267	20,016	6,338	6,678
Sale of computer software	925	1,835	321	349
Gross rental income from investment property	521	521	173	173
Others	474	813	285	72
	<u>21,187</u>	<u>23,185</u>	<u>7,117</u>	<u>7,272</u>

### 3. OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Other revenue</b>				
Value added tax refund	2,717	3,026	934	938
Interest income	918	903	262	347
Miscellaneous	8	19	7	—
	<u>3,643</u>	<u>3,948</u>	<u>1,203</u>	<u>1,285</u>
<b>Other net gains/(losses)</b>				
Gain on disposal of investments in securities	3,208	—	—	—
Net gain/(loss) on investments in securities carried at fair value	(704)	(1,831)	510	(1,171)
Loss on disposal of fixed assets	—	(47)	—	(47)
Write back of other payables	41	—	—	—
	<u>2,545</u>	<u>(1,878)</u>	<u>510</u>	<u>(1,218)</u>

### 4. TAXATION

	Nine Months Ended		Three Months Ended	
	30 September		30 September	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	<u>1,428</u>	<u>1,053</u>	<u>250</u>	<u>247</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.

### 5. DIVIDENDS

The Board does not recommend the payment of any dividends attributable to the nine months ended 30 September 2005 and 2004.

6. **BASIC EARNINGS/(LOSS) PER SHARE**

	<b>Nine Months Ended</b>		<b>Three Months Ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Earnings/(Loss) per share (RMB cents)	<u>1.61</u>	<u>0.32</u>	<u>0.56</u>	<u>(0.32)</u>

The calculation of basic earnings per share for the nine months and three months ended 30 September 2005 respectively is based on the profit attributable to shareholders of RMB 3,384,000 and RMB1,170,000 respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

The calculation of basic earnings/(loss) per share for the nine months and three months ended 30 September 2004 respectively is based on the profit attributable to shareholders of RMB676,000 (restated) and loss attributable to shareholders of RMB682,000 (restated) respectively divided by the weighted average number of 210,500,000 ordinary shares in issue during the periods.

There were no potential dilutive ordinary shares in issue during the nine months ended 30 September 2005 and 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the nine months ended 30 September 2005, the Group reported a turnover of RMB21,187,000 representing a decrease of 8.62% as compared with RMB23,185,000 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, RMB19,267,000 was from maintenance services fees, RMB925,000 was from sales of computer software, RMB521,000 was from gross rental income from investment property and RMB474,000 was from other income.

The Group recorded a profit attributable to shareholders of RMB3,384,000 for the nine months ended 30 September 2005, whereas a profit attributable to shareholders of RMB676,000 was recorded for the same period in the previous year. The increase in profit attributable to shareholders for the nine months ended 30 September 2005 was because that in the nine months ended 30 September 2005, a gain on investment in debt securities of approximately RMB3,207,580 was recorded by the Group due to an increase in the market value of the debt securities sold in August 2005. No such income has been recorded for the nine months ended 30 September 2004.

### **PRODUCT DEVELOPMENT**

1. **Develop the online disclosure system namely, “Qianlong Internet Network Version”**
  - (1) Modularize the structure to accommodate a scaleable large online transaction platform. Enhance the reliability by improving data transfer among data servers and between attestation servers and data servers. Effectively control hardware investment costs through modularization and progressive system upgrades.
  - (2) Further develop dynamic load equilibrium systems to increase system operation efficiency and enlarge countrywide user capacity.
  - (3) Perfect the supervision system and decrease system operation cost.
  - (4) Provide inline consignment tool solution package to meet the demand of large securities brokers.
  - (5) Maintain and develop customer relations, and continuously strengthen market demand.



2. **Develop corporate clientele of the Group's Consignment System, and strengthen its integration to Qianlong Network Version**

Qianlong Network Version's in-line consignment system enhances existing consignment system used by securities brokers. It increases operation and maintenance efficiency and decreases the cost to securities brokers. The one package solution, integrating market and consignment tools is well received by end users. The consignment system integrates closely with Qianlong Network Version and further increases the overall system advantage.

3. **Qianlong Gang Gu Tong**

Qianlong Gang Gu Tong is a service newly launched by the Group to provide data from the Hong Kong securities market. The market for mainland investors interested in Hong Kong securities opportunities is increasing greatly. Qianlong Gu Gu Tong is the first market information vendor in PRC approved by the Exchange, so the Group has a market advantage. Qianlong Gang Gu Tong will use the Network version's large user base advantage and develop the leading Hong Kong stock market disclosure and analysis system. Qianlong Gang Gu Tong will enable the active investors in the PRC to understand and grasp Hong Kong securities market in a familiar manner.

4. **College Finance Education System**

College Finance Education System is a necessary and significant tool in the coursework of finance colleges and universities countrywide. Because the Group's products are the most widely used in the securities fields, a controlled simulation system similar to the Group's professional products is in demand. The College Finance Education System is a complete simulation system with additional functions to meet education requirements.

5. **Qianlong Network Version**

Qianlong Network Version will be further developed to add information services and customized modules to strengthen and retain the Group's number one market position.

## **PROSPECTS**

The Group is in a leading position in the field of market disclosure systems. 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 a series of products and services including market disclosure and analysis tool, information distribution system, consignment system, market transfer tool, real time market data services (Hong Kong shares), tailor made services in accordance with clients' requirements. These products form 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 high-end clients; the Group also has good financial stability to provide a solid foundation for the development of new markets and new products; the Group owns a very stable and high caliber team with business aggressiveness. Owing to all the above, the Group is fully confident to achieve success in the competitive market under the guidance of the Board.

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

The deeper purpose of the Group is to enable its products to engage 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. The Group will at last realize more and stable income by combining these opportunities with its traditional network products.

The Directors believe the Group's policy is effective and the Group's performance will continue to improve 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 117 as at 30 September 2004 to 140 as at 30 September 2005. 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 nine months ended 30 September 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 30 September 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 share issued 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%

*Note:* (i) As at 30 September 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 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 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 nine months ended 30 September 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 30 September 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.

<b>Name</b>	<b>Number of the shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 30 September 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 nine months ended 30 September 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 30 September 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 nine months ended 30 September 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.

## **CORPORATE GOVERNANCE**

The Company will form the Remuneration Committee in accordance with the code practices set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules once the suitable candidates are identified. Save as disclosed above, the Company was in compliance with the code on Corporate Governance Practices throughout the nine months ended 30 September 2005.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the nine months ended 30 September 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 nine months ended 30 September 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*

14 November 2005