



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)

FIRST QUARTERLY REPORT

2006

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 the GEM of the Exchange 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 for the three months ended 31 March 2006 increased by 21% to RMB 8,326,000 (2005: RMB 6,859,000)
- Profit attributable to shareholders of the Company for the three months ended 31 March 2006 increased by 25% to RMB 833,000 (2005: RMB 665,000)
- Basic earnings per share was RMB 0.40 cents.

THE 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 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended 31 March 2006 RMB'000	Three months ended 31 March 2005 RMB'000
Turnover	2	8,326	6,859
Cost of sales		(1,984)	(2,069)
Gross profit		6,342	4,790
Other revenue	3	1,305	1,535
Other net gains/(losses)	3	(194)	784
Distribution costs		(2,222)	(1,793)
Administrative expenses		(4,180)	(4,043)
Share of losses of associates		(8)	(67)
Profit before taxation		1,043	1,206
Taxation	4	(210)	(542)
Profit for the period		833	664
Attributable to:			
Equity holders of the Company		833	665
Minority interests		—	(1)
		833	664
Dividends	5	—	—
Basic earnings per share (RMB cents)	6	0.40	0.32

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For three months ended 31 March 2006

	Share capital	Share premium	Exchange reserve	General reserve	Accu- mulated losses	Merger reserve	Revaluation reserve	Attributable to equity holders of the Company	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005										
- as previously reported	22,420	33,124	193	6,690	(19,840)	23,765	1,971	68,323	33	68,356
- prior year adjustment in respect of investment property	—	—	—	—	(1,076)	—	(1,971)	(3,047)	—	(3,047)
- as restated	22,420	33,124	193	6,690	(20,916)	23,765	—	65,276	33	65,309
Exchange difference on translation of financial statements of foreign entities recognized directly in equity	—	—	25	—	—	—	—	25	—	25
Net profit for the period	—	—	—	—	665	—	—	665	(1)	664
At 31 March 2005	<u>22,420</u>	<u>33,124</u>	<u>218</u>	<u>6,690</u>	<u>(20,251)</u>	<u>23,765</u>	<u>—</u>	<u>65,966</u>	<u>32</u>	<u>65,998</u>
At 1 January 2006	22,420	33,124	(25)	6,947	(18,200)	23,765	—	68,031	27	68,058
Exchange difference on translation of financial statements of foreign entities recognized directly in equity	—	—	(15)	—	—	—	—	(15)	(1)	(16)
Net profit for the period	—	—	—	—	833	—	—	833	—	833
At 31 March 2006	<u>22,420</u>	<u>33,124</u>	<u>(40)</u>	<u>6,947</u>	<u>(17,367)</u>	<u>23,765</u>	<u>—</u>	<u>68,849</u>	<u>26</u>	<u>68,875</u>

1. BASIS OF PREPARATION

The Group's unaudited first 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"), 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 first quarterly financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2005 as the new HKFRSs issued which are effective for accounting periods on or after 1 January 2006 are not applicable to the Group.

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

The adoption of HKAS 40 by the Group during the three months ended 31 March 2005 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 as at 1 January 2005 adjusted for the amounts relating to prior periods as disclosed in the condensed consolidated statement of changes in equity.

2. TURNOVER

The principal activities 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. 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:

	Unaudited	
	Three months ended 31 March 2006 <i>RMB'000</i>	Three months ended 31 March 2005 <i>RMB'000</i> Restated
Maintenance service fees	6,975	6,586
Sale of computer software	288	223
Others	1,063	50
	<u>8,326</u>	<u>6,859</u>

Turnover for the three months ended 31 March 2005 as previously disclosed have been restated following the reclassification of net rental income from investment property of RMB174,000 from turnover to other revenue in order to conform with the current year's presentation.

3. OTHER REVENUE AND NET GAINS/(LOSSES)

	Unaudited	
	Three months ended 31 March 2006 <i>RMB'000</i>	Three months ended 31 March 2005 <i>RMB'000</i> Restated
Other revenue		
Value added tax refund	959	990
Net rental income from investment properties	174	174
Interest income	167	370
Miscellaneous	5	1
	<u>1,305</u>	<u>1,535</u>
Other net gains/(losses)		
Gain on disposal of investments	355	—
Net gain/(loss) on investments in securities carried at fair value	(595)	743
Gain on disposal of fixed assets	46	—
Write back of other payables	—	41
	<u>(194)</u>	<u>784</u>

4. TAXATION

	Unaudited	
	Three months ended 31 March 2006 <i>RMB'000</i>	Three months ended 31 March 2005 <i>RMB'000</i>
PRC	<u>210</u>	<u>542</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 three months ended 31 March 2006 and 2005.

6. BASIC EARNINGS PER SHARE

	Unaudited	
	Three months ended 31 March 2006	Three months ended 31 March 2005
Basic earnings per share (RMB cents)	<u>0.40</u>	<u>0.32</u>

The calculation of basic earnings per share for the three months ended 31 March 2006 is based on the profit attributable to shareholders of RMB 833,000 divided by the weighted average number of 210,500,000 ordinary shares in issue during the period.

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

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue during the three months ended 31 March 2006 and 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the three months ended 31 March 2006, the Group reported a turnover of RMB8,326,000 representing an increase of 21% as compared with RMB6,859,000 for the same period of the previous year. The increase of turnover was mainly because that: Since the beginning of the year of 2006, Chinese stock market has stepped out of the several years' downturn and the composite index in Shanghai Stock Exchange is rising continuously. The Group has recorded RMB 6,330,737 as the income from the network version used in the real-time transaction in securities brokerage houses, the traditional edges of the Group; RMB 322,600 as the sales income of "Qianlong Internet Network Version", RMB 246,000 as the sales income of Qianlong College Finance Education System; RMB284,800 as the sales income of Qianlong Gang Gu Tong (港股通). At the same time, since October 2005, in order to solve the circulation of the equity in the listed companies, Chinese securities market has transferred the original non-circulating equity (state shares and legal shares) to the transaction market. The Group has used the platform of Qianlong Securities Analysis Software to provide the information disclosure services for the listed companies who are making the equity reform and charge them the information services fees. For the three months ended 31 March 2006, the Group has recorded RMB 943,200 as the information services fees.

The Group recorded a profit attributable to shareholders of RMB833,000 for the three months ended 31 March 2006, whereas a profit attributable to shareholders of RMB665,000 was recorded for the same period in the previous year. The increase in profit attributable to shareholders for the three months ended 31 March 2006 was due to the increase of RMB 1,467,000 of the turnover for the period compared to that for the same period in the previous year.

PRODUCT DEVELOPMENT

1. Develop the online disclosure system namely, “Qianlong Internet Network Version”

With the popularization of the online transaction, the requirement for online disclosure system from the securities brokerage houses has increased. Qianlong Internet Network Version has made a figure in the similar products competition with its special technological advantages and high performances (high connection, quick disclosure and high reliability), and it has achieved the leading position stably with its leading service quality combined with information and consignment system.

2. The perfection and formal application of Qianlong Consignment System in Securities Brokerage houses

The integration of marketing and consignment is very important to improve the transaction environment of securities brokerage houses. It may raise the operation efficiency and reduce the operation cost. Qianlong’s consignment system inserted into the marketing system has been greatly improved and started the formal application in securities brokerage houses with a good feedback from the clients. This will continuously enhance the whole advantages of Qianlong’s core products-network version in the future.

3. Qianlong Gang Gu Tong (港股通)

Qianlong Gang Gu Tong (港股通) is a real-time marketing data services launched for the mainland investors to provide data from the Hong Kong securities market. The investors of Mainland China have highly interested in Hong Kong securities investment opportunities. Qianlong Gang Gu Tong (港股通) is the first market information vendor in PRC approved by the Exchange, and the Group has made a good achievements after its launching. Qianlong Gang Gu Tong (港股通) will continuously 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 (港股通) 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 useful tool in the coursework of finance colleges and universities in the PRC. The Group’s products are widely used in the domestic securities trading industry, so a controlled simulation system similar to the Group’s professional products is the first choice of the universities. The College Finance Education System has already been developed to meet education requirements as a complete functional education system to be welcomed in related colleges and the securities markets.

5. **Qianlong Network Version**

The market position of the Group's core product-Qianlong Network Version has been continuously strengthened with developed consignment, information, customization and other affiliated tools by improving the level of services quality.

6. **Financing database product**

The market research shows in China the financing database has a large potential market. Therefore the Group has decided to establish a new company to focus on the research and development of financing database product, which will bring the new business income for the Group and will continuously improve the Group's image and position in the domestic financing information product field.

7. **Equity reform**

In recent quarters, the equity reform is the largest hotspot in Chinese securities market. For this reason, the Group has established a special project team to develop the market opportunity by the equity reform. The Group has designed a series of information disclosure mode to provide effective information services for the listed companies who are operating the equity reform as an important supplementary except the information disclosure media designated by the supervision organization. This has achieved a very good market result and the Group may continuously explore more related information disclosure services such as Initial Public Offering and new placement.

PROSPECTS

The market achievements in the first quarter have indicated the Group's positive prospect to meet the new year's strategic targets.

The Group is in an absolutely 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 for daily investment and analysis. "Qianlong" has almost been 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 series products line for supporting securities houses' front desk 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. All of these makes the Group have the very confidence to win the market competition under the correct lead of the Board of Directors.

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 2006.

DEPLOYMENT OF HUMAN RESOURCES

The total number of staff of the Group increased from 127 as at 31 March 2005 to 183 as at 31 March 2006. The total cost for staff for the three months ended 31 March 2006 is approximately RMB3,460,000, representing a decrease of 2% as compared with RMB 3,533,000 for 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 a retirement benefit, a provident fund and a medical plan.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the three months ended 31 March 2006, neither the Company nor any of its 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 2006, 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 Rules 5.46 to 5.68 of 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
Liao Chao Ping	Personal	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 31 March 2006, Mr. Chen Shen Tien is the absolute 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 absolute 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 absolute 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 absolute 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 absolute 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 Rules 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 31 March 2006, 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 2006 was the Company, or any of its 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 SHARES AND UNDERLYING SHARES

As at 31 March 2006, 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 2006, Mr. Chen Shen Tien is the absolute 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 absolute 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 absolute 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 absolute 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 absolute 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 or any of its 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 2006.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three members, Ms. Chiu Kam Hing, Kathy, Mr. Chang Long Teng and Mr. Cheong Chan Kei, Ernest, all of them are independent non-executive Directors. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee. The audit committee has already reviewed the Group's unaudited consolidated results for the three months ended 31 March 2006.

CORPORATE GOVERNANCE

For the three months ended 31 March 2006, the Company has complied with all the code provisions set out in Appendix 15 of the Code on Corporate Governance Practices as of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2006, 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

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 31 March 2006.

By order of the Board
Liao Chao Ping
Chairman

15 May 2006