



即時科研集團有限公司*

Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

Interim Report 2001

* *For identification purposes only*

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This report, for which the directors (the “Directors”) of Thiz Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Thiz Technology Group 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.

SUMMARY

- The Group recorded a turnover of approximately HK\$6,640,000 for the six months ended 30 September, 2001.
- Loss attributable to shareholders was approximately HK\$3,845,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30 September, 2001.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

| | <i>Notes</i> | For the three months ended 30 September | | For the six months ended 30 September | |
|---|--------------|--|-----------------|--|-----------------|
| | | 2001 | 2000 | 2001 | 2000 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 2 | 4,074 | 1,184 | 6,640 | 1,215 |
| Cost of sales | | (2,590) | (450) | (4,597) | (450) |
| Gross profit | | 1,484 | 734 | 2,043 | 765 |
| Other income | | 159 | 73 | 260 | 149 |
| Operating expenses | | (3,727) | (2,423) | (5,719) | (4,514) |
| Loss from operations | | (2,084) | (1,616) | (3,416) | (3,600) |
| Share of loss of jointly controlled entity | 3 | (265) | — | (427) | — |
| Loss before tax | | (2,349) | (1,616) | (3,843) | (3,600) |
| Taxation | 4 | | | | |
| – Hong Kong | | — | — | — | — |
| – Overseas | | — | (4) | (2) | (6) |
| Loss for the period | | (2,349) | (1,620) | (3,845) | (3,606) |
| Dividend | | — | — | — | — |
| Loss per share | | | | | |
| – Basic (in cents) | 5 | (1.48) | (1.16) | (2.58) | (2.58) |

Notes:

1. Group reorganization and basis of preparation of consolidated income statements

The Company was incorporated in the Cayman Islands on 6 December, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision).

Pursuant to a group reorganisation (the “Reorganisation”) to rationalize the structure of the Company and its subsidiaries in the preparation for the listing of the Company’s shares on GEM, the Company issued shares in exchange for the entire issued share capital of Thiz Technology Group (BVI) Holdings Limited and its subsidiaries and thereby became the holding company of the Group on 5 July, 2001.

The shares of the Company have been listed on GEM with effect from 27 July, 2001.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated income statements have been prepared as if the Company had always been the holding company of the Group. In the opinion of the Directors, the consolidated income statements prepared on the above basis present fairly the results of the Group as a whole.

The principal accounting policies adopted in preparing the unaudited combined results conform with Statement of Standard Accounting Practice issued by Hong Kong Society of Accountants.

2. Turnover

Turnover represents the invoiced value of Linux related products sold, distribution income, Linux related services and Web design services rendered and commission income/invoiced value of computer products sold through e-commerce platforms, after allowances for returns and discounts.

3. Share of loss of a jointly controlled entity

The amount represents the share of loss of Thiz Grandmass ERP Systems Limited for the periods ended 30 September, 2001.

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 September, 2001 and 30 September, 2000.

A subsidiary of the Group, which was incorporated and operated in California of the United States of America, suffered losses during the periods. Accordingly, it was only required to pay the minimum California franchise tax during the periods in accordance with the relevant legislation. Overseas taxation represents the provision for such minimum California franchise tax.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the period.

5. Loss per share

The calculation of basic loss per share for the six months and three months ended 30 September, 2001 is based on the net loss attributable to shareholders of approximately HK\$3,845,000 and HK\$2,349,000 (2000: net loss attributable to shareholders of HK\$3,606,000 and HK\$1,620,000) and the weighted average number of 148,827,000 shares and 158,102,000 shares in issue during the aforementioned two periods ended 30 September 2001 (2000: 139,450,000 shares and 139,450,000 shares). No diluted loss per share is shown because there were no dilutive potential ordinary shares.

6. Movement of reserves

| | Share premium account <i>HK\$'000</i> | Merger reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--|--------------------------------------|--|--------------------------|
| Balance as at 1 April 2001 | — | — | (11,573) | (11,573) |
| Premium on issue of Shares | 28,340 | — | — | 28,340 |
| Share issuance expenses | (4,766) | — | — | (4,766) |
| Capitalization issue | (13,917) | — | — | (13,917) |
| Premium on capitalization of shareholders loan | 9,916 | — | — | 9,916 |
| Effect of Reorganisation | — | 308 | — | 308 |
| Loss attributable to shareholders | — | — | (3,845) | (3,845) |
| Balance as at 30 September 2001 | <u>19,573</u> | <u>308</u> | <u>(15,418)</u> | <u>4,463</u> |

The movement in reserve have no difference except the loss for the period for the six months and three months ended 30 September, 2001. There is no movement in reserve except the loss for the period of the six months and three months ended 30 September, 2000.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September, 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Company's shares were listed on GEM on 27 July, 2001 at an issue price of HK\$1.19 per share. The net proceeds of the Placing, after deducting related expenses were approximately HK\$26 million.

For the six months ended 30 September, 2001, the Group's turnover of approximately HK\$6,640,000 represents an increase of approximately 450% over the same period in 2000, due mainly to the increased sale of box set and OEM copies of ThizLinux and ThizOffice resulted from the increased demand of open sources software.

The Group recorded a loss of approximately HK\$3,845,000 for the six months ended 30 September, 2001, representing an increase of approximately 6.6% compared to the same period in 2000. The reasons attributing to the increase in loss was the increase in operating expenses. The increase in operating expenses was mainly due to: (1) additional general expenses as a result of the enlargement of Group's operation after listing on GEM; (2) recruiting more high caliber staff to develop new application software and to improve existing Linux software products and; (3) increase in expenditure spent for a variety of marketing campaigns.

Apart from the talented management team, the Group also possesses a dedicated sales and marketing team responsible for a series of aggressive marketing campaigns. During the period under reviews, the Group has carried out marketing programs such as (1) joint promotion with training center to promote ThizLinux and ThizOffice, (2) free samples were given to a number of magazine for ThizLinux version 5.0 and ThizOffice version 2.0 and (3) holding a number of Office Migration seminars.

Prospects

In the past six months, the Group has made tremendous progress to become the leading Linux application software provider in Greater China. While the launch of ThizLinux and ThizOffice gained an immediate entrance for the Group into the developing Linux market, the successful

listing activity of the Company also helped to generate much brand awareness. Moreover, the Group announced a strategic alliance with Taiwan Well Communication Corporation (Taiwan Stock Exchange: 5479) and Shenzhen Fenghua Telecom Company Limited to produce and distribute DVD set-top box, which would be operated by the Chinese ThizLinux software, in the PRC market. The Group also became the sole software provider for 4,000 schools in Huai Fang, Shandong Province, the PRC. Such co-operations not only broadened the Group's earning base, but also, helped raise much attention in the Linux market.

The Group is proud to see that it has established several milestones within few months after being listed. Although the effect of the Group's business expansion has not been fully reflected in its financial results, the Group has confidence in its performance for the remaining of the year.

The Group has continued to launch new products to ensure its leading position in the industry. In October 2001, the upgraded ThizLinux 5.0 and ThizOffice 2.0 were launched to better suit end-users' needs and to support languages including French, Spanish, Italian and German. As an effort to increase popularity and usage of Linux, the Group launched a software giveaway program to education institutions so as to widen its customer base and promote its product. Students can also benefit from being accustomed to Linux software at an early stage of their education. Along with the Group's effort in organizing ThizLinux seminars to the public, all of the abovementioned marketing campaigns have contributed enormously to enhance Thiz's brand name.

The PRC market presents another lucrative expansion opportunity for the Group. With the PRC Government fully supporting the usage of Linux software, the demand for user-friendly Linux application software is tremendous. As a result, the Group will establish a Beijing office, which is expected to commence operation in the coming quarter, to capture and provide service for the enormous PRC market.

The Group is pleased to see that its business strategies have been successfully implemented. Based on end-users' growing enthusiastic response towards the new products, coupled with its experienced research and development team, customer-oriented products and strong marketing network, the Group expects that its growth in second half of 2001 will continue to be promising and it will not let its supportive shareholders down.

USE OF PROCEEDS

The proceeds from the issue of new shares pursuant to a placing of the Company in July 2001, after deduction of related expenses, amounted to approximately HK\$26,000,000. Included in the above net proceeds of HK\$26,000,000, approximately HK\$5,100,000 and HK\$5,000,000 was planned to provide additional working capital of the Group and reserve for future investment opportunities or contribution to other joint venture for the development of Linux solutions respectively. The remaining net proceeds was planned and applied up to 30 September, 2001 as follows:

| | Originally planned* <i>HK\$'000</i> | Amount utilized up to 30 September 2001 <i>HK\$'000</i> |
|--|---|---|
| Contribution to the joint ventures to develop application software on Linux | 1,000 | 892 |
| Marketing and promotion | 1,500 | 692 |
| Enhancement of the Group's existing Linux products | 1,000 | 328 |
| Development of Web applications and other computing products/services | 500 | 269 |
| Purchase of hardware equipment | 300 | 61 |
| | <u>4,300</u> | <u>2,242</u> |

* Amounts are extracted from the Company's prospectus dated 20 July, 2001 issued in relation to the Company's placing and proposed listing of shares on GEM.

PROGRESS AGAINST BUSINESS OBJECTIVES

According to the business objectives as stated in the Company's prospectus dated 20 July, 2001

Actual business progress in respect of the six months period ended 30 September, 2001

Develop and improve ThizLinux

- (1) Launch ThizLinux desktop version to run in French

The French version has been launched. In addition, the versions of Spanish, Italian and German have already been launched in October 2001. The Group has also launched ThizLinux version 5.0 and ThizOffice version 2.0.

- (2) Launch Linux manual

The Linux manual has been completed in September and launched in October 2001.

Develop applications software on Linux platform with joint venture partners

- (1) Launch ThizOMS

The programming of ThizOMS is still under way. It will be completed in about December 2001.

- (2) Distribute ThizOMS in the PRC

It is expected to be distributed in January 2002.

- (3) Signed binding agreements with Yuan Wang and Great Asia to re-develop applications on Linux

The Group is still in negotiation with the parties and drafting of agreements has begun.

Develop Linux compatible Web application software based on features of the Group's portals

Develop and launch Linux compatible office administration system software

The programming was completed in September 2001 and has started to be launched in October 2001. In addition, we have already started developing Web-based education platform.

Marketing strategies

- | | |
|--|---|
| (1) Free samples of ThizLinux desktop version 4.2 to magazine readers | Free samples have already been given to a number of magazines for ThizLinux version 5.0 and ThizOffice version 2.0. |
| (2) Joint promotion with training center to promote ThizLinux and ThizOffice | Joint promotion with school and educational institutions have been carried out. |
| (3) Seminar on Office Migration program | A number of such seminar has been already run. |
| (4) Press conference for ThizOMS launch | It is postponed to January 2002 due to the postponement of launch of ThizOMS. |

DIRECTORS' INTEREST IN SHARE CAPITAL

As at 30 September, 2001, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM, the interest of Directors, chief executive and their associates in shares of the Company were as follows:

| | Number of ordinary shares held | | | |
|--|--------------------------------|-----------------|--------------------|----------------------|
| | Personal interest | Family interest | Corporate interest | Other interest |
| Mr. Wong Hoi Wong ("Mr. Albert Wong") | — | — | — | 83,442,500 (Note) |
| Mr. Li Sze Tang | 40,535,000 | — | — | — |
| Ms Wanzi Huang | 6,972,500 | — | — | — |

Note:

These 83,442,500 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

Save as disclosed above, none of the Directors had any personal, family, corporate or other interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance as at 30 September, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Under a share option scheme (the “Scheme”) adopted by the shareholders of the Company on 6th July, 2001, the Directors may at their discretion grant options to any full-time executive director or employee of a company within the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 30 September, 2001, no options had been granted or agreed to be granted under the Scheme.

As at 30 September, 2001, none of the Directors (including their spouses and children under 18 years of age) had been granted or exercised, any rights to subscribe for shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2001, the following entity, not being a director or chief executive of the Company, had or was deemed to have interest of 10% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

| | Number of ordinary shares held | Percentage of shareholding |
|---|---|---------------------------------------|
| Eaglemax International Investment Limited (<i>Note</i>) | 83,442,500 | 50.43 |

Note:

These 83,442,500 shares are held by Eaglemax International Investment Limited, a Company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

MANAGEMENT SHAREHOLDERS

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at 30 September, 2001, was entitled to exercise or control the exercise of 5 per cent or more of the voting power at general meetings of the company and who was able, as a practical matter, to direct or influence the management of the company.

INTEREST OF THE SPONSOR

CSC Asia Limited (“CSC”) had entered into a sponsorship agreement with the Company whereby, for a fee, CSC will act as the Company’s continuing sponsor for the purpose of Chapter 6 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the period from 27 July, 2001 to 31 March, 2004.

None of CSC, its director, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the group as at 30 September, 2001.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

During the six-month period ended 30 September, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

AUDIT COMMITTEE

The Company has established an audit committee in August 2001 with its written terms of reference being in compliance with Rule 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board.

The audit committee comprises two members, namely, Ms. Li Zhe and Mr. Kwok Ming Wa, both being independent non-executive Directors of the Company.

By Order of the Board
Sum Yan Ning
Company Secretary

Hong Kong, 12 November, 2001