



Q9 Technology Holdings Limited

(九方科技控股有限公司)*

(incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2001



	1	

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

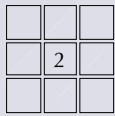
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of 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 Stock 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 Q9 Technology 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 Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited 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 document 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 document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



Q9 Technology Holdings Limited

Third Quarterly Report 2001

FINANCIAL HIGHLIGHTS

- HK\$7m turnover achieved for the 9 months ended 30 September 2001, representing an increase of 40% from corresponding period last year.
- HK\$6.37m gross profit achieved for the 9 months ended 30 September 2001, representing an increase of 50% from corresponding period last year.
- Gross profit margin percentage increased to approximately 90% compared to 84% in previous nine months.
- Operating loss decreased to approximately HK\$11.9m compared to HK\$13.1m in previous nine months.
- Loss attributable to shareholders for the nine months ended 30 September 2001 decreased by HK\$1.2m from corresponding period last year.
- Established Q9 Chinese character input system as the Chinese input system adopted by educational institutions in Hong Kong.
- Launched Q9 simplified Chinese version into China and received positive responses from customers and business partners.

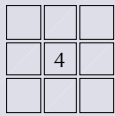
The Group has recorded a net loss attributable to shareholders for the nine months ended 30 September 2001 of HK\$11,946,000, representing a basic loss per share of HK1.06 cents.

The unaudited consolidated results for the three months and the nine months ended 30 September 2001 and the comparisons with last year are set out in the accompanying table.

NINE MONTH RESULTS (UNAUDITED)

The Board of Directors (the "Directors") of Q9 Technology Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2001, together with the unaudited comparative figures for the corresponding period in 2000 as follows:

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	2,676	1,336	7,097	5,070
Cost of sales		(320)	(157)	(727)	(833)
Gross profit		2,356	1,179	6,370	4,237
Other revenues		553	157	693	263
Selling and distribution expenses		2,784	2,075	6,427	7,209
Research and development expenses		1,863	2,146	4,892	4,607
General and administrative Expenses		3,132	2,300	7,690	5,713
Operating loss		(4,870)	(5,185)	(11,946)	(13,029)
Finance costs		—	29	—	78
Loss attributable to shareholders		(4,870)	(5,214)	(11,946)	(13,107)
Loss per share (cent)	4	(0.39)	(0.52)	(1.06)	(1.31)



Q9 Technology Holdings Limited

Third Quarterly Report 2001

Notes:

1 Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 13 March 2000 as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares (the "Shares") on the GEM of the Stock Exchange, the Company became the ultimate holding company of its subsidiaries now comprising the Group on 7 May 2001. Details of the Reorganisation were set out in the prospectus of the Company dated 10 May 2001. The Shares were listed on GEM on 18 May 2001.

The results of the Group comprise the results of all companies now comprising the Group using the merger basis of accounting as if the current group structure had been in existence since 1 January 2000, or the date of incorporation, whichever is later. In the opinion of the Directors, the accounts prepared on the above basis present fairly the results of the Group as a whole.

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

2 Turnover and revenues

Turnover and other revenues of the Group on the basis set out above are as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sale of goods at invoiced value, net of returns and discounts	2,676	1,336	7,097	5,070
Other revenues				
Interest	553	123	683	208
Other	0	34	10	55
	553	157	693	263
Total revenues	3,229	1,493	7,790	5,333

	5	

Notes (Cont'd):

3 Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong for the nine months ended 30 September 2001.

No provision for deferred tax has been made in the accounts as the tax effect of timing differences is not material to the Group.

4 Loss per share

The calculation of loss per share for the three months and nine months ended 30 September 2001 is based on the unaudited consolidated loss attributable to shareholders of HK\$4,870,000 and HK\$11,946,000 respectively (three months and nine months ended 30 September 2000: HK\$5,214,000 and HK\$13,107,000 respectively) and the weighted average number of 1,250,000,000 and 1,125,000,000 shares (three months and nine months ended 30 September 2000: 1,000,000,000 shares) in issue. In determining the weighted average number of shares, the 500,000,000 shares issued on the establishment of the Company and Reorganisation of the Group and a further 500,000,000 shares issued pursuant to the capitalization issue are deemed to have been in issue since 1 January 2000.

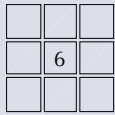
No diluted loss per share is presented as the exercise of subscription rights attached to the share options would not have a dilutive effect on the loss per share.

5 Interim dividend

The Directors do not recommend the payment of interim dividend for the nine months ended 30 September 2001 (2000: Nil).

6 Transfer to reserve

There was no transfer to and or from reserve during for the three months and nine months ended 30 September 2001.



Q9 Technology Holdings Limited

Third Quarterly Report 2001

BUSINESS REVIEW AND PROSPECTS

The group's revenue for the nine months period ended 30 September 2001 of HK\$7,097,000 increased by HK\$2,027,000 or 40% over corresponding period last year. The increase in the group's revenue for the nine months period in current year over corresponding period of last year was mainly attributable to increase in sales of Q9 character input system in Hong Kong, which increased by about HK\$1,306,000 or 36%, and new sources of income totaling HK\$800,228 derived from licensing of Q9 character input system to schools and corporations and from several original equipment manufacturers. The increase in the group's revenue for the nine months period in current year was partly offset by a decrease in sales of Qcode software by HK\$403,785 and a decrease in sales of computer accessories by HK\$384,429 from corresponding period of last year. As a result of the change in sales mix, gross profit margin for the nine months period ended 30 September 2001 increased to about 90% as compared to about 84% for the corresponding period last year.

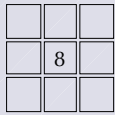
The group's total expenses for the nine months period ended 30 September 2001 of HK\$19,009,000 increased by HK\$1,480,000 or 8% over corresponding period last year, whilst the group's total expenses for the three months period ended 30 September 2001 of HK\$7,779,000 increased by HK\$1,258,000 or 19% over corresponding period last year. The group's selling and distribution expenses increased by about HK\$709,000 during the three months ended 30 September 2001 over the same period last year, as the number of marketing programs launched to promote Q9 character input system in Hong Kong and China increased. The group's general and administrative expenses increased by about HK\$831,405 during the three months ended 30 September 2001 over the same period last year, which was mainly attributable to the following reasons: a) additional general and administrative expenses incurred for the newly establish subsidiary in Shenzhen and office in Guangzhou; b) additional legal and professional fees incurred following listing of the group on GEM, and increase in the number of patent applications filed; and c) renovation costs written off, as the group discontinued the rental of one of the properties rented and occupied by the group in Hong Kong.

	7	

The group expanded its market channel to over 1,500 retail outlets for packaged system sales of the Q9 character input system in Hong Kong, and a number of department stores and retail chain stores commenced to market and promote Q9 CIS through their stores. The group licensed Q9 CIS web version to the internet white pages, which allow web users to search for telephone numbers via the internet.

The group expects that at least three original equipment manufacturers ("OEMs"), which are publicly listed companies in either Hong Kong or PRC, will commence production of mobile phones and / or PDAs, and licensing revenue will be derived from these OEMs during last quarter of 2001.

The group commenced marketing and sales of Q9 character input system in PRC since August 2001, and progress is satisfactory. The group appointed the distribution company of the Guangzhou Daily group to distribute and promote Q9 CIS, which has over 200 distribution outlets and chain stores in Guangzhou and other cities. The group also signed distribution agreements with a number of software distribution companies in Shenzhen, which has over sixty sales outlets in Shenzhen and other cities in Guangdong province. Management of the group is positive on the outlook for the year 2002, as the group has significantly improved the features and performance of its products, and the response from customers and potential clients are highly positive. The group is hiring and training more sales persons and demonstrators to penetrate the end users, government, education, and corporate markets. Demonstrators are engaged to be stationed at selective retail outlets to provide live demonstration to customers to boost sales. The group targets its marketing and promotional activities so that it will contribute directly to revenue and / or to reach a critical mass of customers within a short period of time, and which are cost effective.



Q9 Technology Holdings Limited

Third Quarterly Report 2001

COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Establishing closer relations with various government departments in Hong Kong

The group made further progress in establishing closer relations with various government departments in Hong Kong, and the Chairman of the group, Leung Lap Yan has recently been invited to meet with senior officials of the Hong Kong SAR Government. The group will attempt to gain top level support to accelerate the adoption of Q9 CIS in government departments which have not yet purchase Q9 CIS. As at the date of this report, the group has sold its software packages to about 30 government departments and has been registered as an approved supplier with 66 government departments.

Establishing distribution centres in Shenzhen, Guangzhou and Dalian in the PRC

The group established a subsidiary in Shenzhen and a distribution centre in Guangzhou during the period, and it is actively exploring business opportunities in Dalian, and expects that a distribution centre in Dalian will be established during the last quarter of the year. The group is currently expanding its sales force in Shenzhen and Guangzhou. The group has also signed distribution agreements with a number of software distribution companies, and engaged the distribution company of the Guangzhou Daily group to market Q9 CIS. Guangzhou Daily group is one of the largest daily newspaper publishers in PRC, which has over 200 of its own distribution outlets, including several multi-storey book centre in Guangzhou.

The group is also actively marketing Q9 CIS to suppliers and manufacturers of mobile telephones, desktop telephones, PDAs and set top boxes. As of the date of this report, the group has a list of over sixty potential clients, who is actively been pursued by the sales force in PRC. The group is also targeting the educational sector, and management of the group plans to grant free licenses to primary and secondary schools in PRC for use in teaching Q9 CIS to the students within these schools to expedite creation of a massive user base in PRC within a short period of time.

	9	

Organising roadshows and exhibitions in the cities where distribution centre will be established to support the group's distributors and direct selling efforts

The group organised a number of roadshows in Guangzhou, Shenzhen and Beijing, and the market responses to Q9 CIS has been positive. The group monitored the number of people who purchased Q9 CIS and the number of people who visited the group's exhibition booth, and estimated that the ratio is well above 1 to 10.

Establishing closer relations with education departments and educational institutions in the PRC and launching training programmes in the use of Q9 CIS through educational television channels

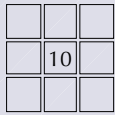
The group is preparing a series of major promotional and marketing programme, targeting primarily the PRC markets and focusing on selective cities, which are planned to be launched within this year or during the first quarter of 2002. The objectives of these promotional programs are:- a) to establish Q9 CIS as the standard software for use by education institutions and schools in these selective cities within a number months; b) to establish Q9 CIS as the most user friendly Chinese CIS which can be used in a wide range of mobile and desktop communication devices so that these devices will be produced with Q9 CIS embedded in them.

The group has also been invited to present Q9 CIS in several training centres run by various government departments in PRC, and negotiation is in progress with several government departments to co-promote Q9 CIS through these training centres.

Continuing research and development

The group completed the development of Q9 2001 (PRC version) in August 2001, which was launched to the PRC market during an exhibition in Guangzhou in late August 2001. The group plans to launch Q9 2002 (Hong Kong and PRC version) in December 2001, which includes options which will further enhance the input speed and ease of use of Q9 CIS.

The group completed the development of its English version of Q9 in June 2001, and subsequently improved the functionality and input speed of the product in an updated version. The group is currently developing Q9 version for French, and intends to expand its language development team in PRC, and speed up the development of Q9 for other languages.



Q9 Technology Holdings Limited

Third Quarterly Report 2001

The group is currently in discussion with a number of OEMs, with the objective that they incorporate the group's patented matrix mapping system on PDAs.

Securing further licensing agreements

Although progress in securing licensing agreements with major international companies has been slower than expected, testing of the prototypes embedded with Q9 CIS with three major international companies are progressing steadily. The group signed non disclosure agreements ("NDAs") with another three international mobile phone companies, and with over ten OEMs of various kind of devices, who are based in PRC, Hong Kong or Taiwan. The group normally signs NDAs with OEMs before technical information on Q9 CIS is released to them to enable product evaluation and testing. Initial contacts have further been made with over fifty OEMs in PRC.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors and their associates in the Shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required were as follows:

Directors	Personal Interest	Family Interest	Corporate Interest	Other interest	Total number of Shares
Leung Lap Yan	Nil	Nil	300,000,000 <i>(Note 1)</i>	Nil	300,000,000
Lau Man Kin	Nil	Nil	93,000,000	Nil	93,000,000
Leung Lap Fu, Warren	Nil	Nil	42,000,000	Nil	42,000,000

Note:

1. These shares are held by Step Up Company Limited, a company in which Mr. Leung Lap Yan holds 55% interest and he is deemed to have interest in all shares hold by Step Up Company Limited.



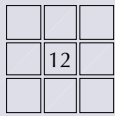
Save as disclosed above, none of the Directors or their associates had, as at 30 September 2001, any interests in the Shares of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 5 May 2001 and the Share Option Scheme adopted by the Company on 7 May 2001, particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are set out below:

Name of Director	Number of underlying shares and outstanding at 30 September 2001	Exercise Price	Option Exercise Period*
Dr. Lim Yin Cheng	84,480,000	HK\$0.36	See note 1 below
Mr. Leung Lap Yan	71,720,000	HK\$0.36	See note 1 below
Mr. Leung Lap Fu Warren	14,470,000	HK\$0.36	See note 2 below
Mr. Lau Man Kin	13,390,000	HK\$0.36	See note 1 below
Mr. William Tam Kam Biu	6,400,000	HK\$0.36	See note 2 below
Mr. Clement Fung Siu To	2,560,000	HK\$0.36	See note 2 below
Mr. Kwan Kin Chung	1,150,000	HK\$0.36	See note 2 below
Mr. Tao Shi	640,000	HK\$0.36	See note 2 below
Mr. Phileas Kwan Po Lam	1,000,000	HK\$0.45	18/5/01 to 17/5/11
Mr. Lun Pui Kan	1,920,000	HK\$0.36	See note 2 below
Mr. Lun Pui Kan	3,000,000	HK\$0.45	18/5/01 to 17/5/11

* Option period commenced from date of grant and terminating ten years thereafter. No options granted pursuant to the Pre-IPO Share Option Scheme and Share Option Scheme had been exercised as at 30 September 2001.



Q9 Technology Holdings Limited

Third Quarterly Report 2001

Save as disclosed above, during the nine months ended 30 September 2001, none of the Directors or their associates was granted options to subscribe for Shares.

The options may be exercised at any time within the option period provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period.

Note 1:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted to him
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	10%
(c) the date falling six months from the date in (b)	10%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	20%
(g) the date falling six months from the date in (f)	10%

Note 2:

Commencement date when the options shall vest and be exercisable:	Percentage of options exercisable by each grantee in respect of options granted to him
(a) the date falling six months from 18th May 2001	10%
(b) the date falling six months from the date in (a)	20%
(c) the date falling six months from the date in (b)	20%
(d) the date falling six months from the date in (c)	20%
(e) the date falling six months from the date in (d)	20%
(f) the date falling six months from the date in (e)	10%



SPONSORS INTERESTS

As updated and notified by Company's sponsor, Anglo Chinese Corporate Finance, Limited (Anglo Chinese), 3,660,000 Shares and 850,000 Shares are held by its immediate holding company and two directors of Anglo Chinese as at 30 September 2001. Saved as disclosed above, neither Anglo Chinese nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the company, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 18th May 2001 entered into between the company and Anglo Chinese, Anglo Chinese will receive a fee for acting as the company's retained sponsor for the period from 18th May 2001 to 31st December 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the register of substantial shareholders maintained under Sections 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name of Shareholder	Number of shares	Approximate percentage holding
Mega Fusion Limited	400,000,000	32%
Asia Orient Holdings (BVI) Limited (Note 1)	400,000,000	32%
Asia Orient Holdings Limited (Note 2)	400,000,000	32%
Mr. Poon Jing (Note 3)	400,000,000	32%
Step Up Company Limited	300,000,000	24%
Mr. Leung Lap Yan (Note 4)	300,000,000	24%
Culture.com Technology (BVI) Limited	300,000,000	24%
Culturecom Holdings (BVI) Limited (Note 5)	300,000,000	24%
Culturecom Holdings Limited (Note 6)	300,000,000	24%

Notes:

1. Asia Orient Holdings (BVI) Limited is deemed to be a substantial shareholder as Mega Fusion Limited is its wholly owned subsidiary.

	14	

Q9 Technology Holdings Limited

Third Quarterly Report 2001

Notes (Cont'd):

2. Asia Orient Holdings Limited is deemed to be a substantial shareholder as Asia Orient Holdings (BVI) Limited is its wholly owned subsidiary.
3. Mr. Poon Jing is deemed to be a substantial shareholder as he has controlling interest in Asia Orient Holdings Limited.
4. Mr. Leung Lap Yan is deemed to be a substantial shareholder as he is interested in 55% of the shares of Step Up Company Limited.
5. Culturecom Holdings (BVI) Limited is deemed to be a substantial shareholder as Culture.com Technology (BVI) Limited is its wholly owned subsidiary.
6. Culturecom Holdings Limited is deemed to be a substantial shareholder as Culturecom Holdings (BVI) Limited is its wholly owned subsidiary.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2001, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Shares.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

Pursuant to rules 5.23 and 5.24 of the GEM Listing Rules, an audit committee, comprising two independent non-executive directors, namely Mr. Ip Chi Wai and Angus Tse Wang Cheung, was established on 19 September 2000.

The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee has met one time since its formation.

By order of the Board
Leung Lap Yan
Chairman

14 November 2001