



即時科研集團有限公司*

Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

Third Quarterly 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\$14,309,000 for the nine months ended 31 December, 2001.
- Loss attributable to shareholders was approximately HK\$6,086,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the nine months ended 31 December, 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 nine months ended 31 December, 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	<i>Notes</i>	For the three months ended 31 December		For the nine months ended 31 December	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	7,670	1,764	14,309	2,979
Cost of sales		(4,640)	(1,423)	(9,237)	(1,801)
Gross profit		3,030	341	5,072	1,178
Other income		163	117	424	266
Operating expenses		(4,852)	(1,786)	(10,571)	(6,373)
Loss from operations		(1,659)	(1,328)	(5,075)	(4,929)
Share of loss of a jointly controlled entity	3(i)	(191)	(4)	(618)	(4)
Provision for amount due from a jointly controlled entity	3(ii)	(391)	—	(391)	—
Loss before tax		(2,241)	(1,332)	(6,084)	(4,933)
Taxation	4	—	—	—	—
– Hong Kong		—	—	—	—
– Overseas		—	(4)	(2)	(6)
Loss for the period		(2,241)	(1,336)	(6,086)	(4,939)
Dividend		—	—	—	—
Loss per share		—	—	—	—
– Basic (in cents)	5	(1.35)	(0.96)	(3.94)	(3.54)

Notes:

1. Group reorganisation 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) of the Cayman Islands.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise 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 of the Stock Exchange 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 consolidated results conform with Statements 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. A jointly controlled entity

(i) Share of loss of a jointly controlled entity

The amount represents the share of loss of Thiz Grandmass ERP Systems Limited for the periods presented.

(ii) Provision for amount due from a jointly controlled entity

As the joint venture partner of Thiz Grandmass ERP Systems Limited did not want to continue to develop the software, the operation of the joint venture has been suspended. The Group has made a provision of HK\$391,000 in addition to, the share of loss under the equity method as referred to above, as a result of the closure of the joint venture.

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 nine months ended 31 December, 2001 and 31 December, 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 periods.

5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31 December, 2001 is based on the net loss attributable to shareholders of approximately HK\$2,241,000 and HK\$6,086,000 (2000: net loss attributable to shareholders of HK\$1,336,000 and HK\$4,939,000) and the weighted average number of 165,450,000 shares and 154,388,000 shares in issue during the aforementioned two periods ended 31 December, 2001 (2000: 139,450,000 shares and 139,450,000 shares). No diluted loss per share is shown because the exercise of the share options granted by the Company would have an anti-dilutive effect.

6. Movement of reserves

Save for the net loss from ordinary activities, there has been no movement of reserves during the three months and nine months ended 31 December, 2001 and the three months and nine months ended 31 December, 2000 respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31 December, 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECTS

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

For the nine months ended 31 December, 2001, the Group's turnover of approximately HK\$14,309,000 represents an increase of approximately 4 times 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 source software.

During the last quarter, the Group has achieved a number of milestones. The Board is pleased to provide the following major achievements:

(1) Multi-language development of ThizLinux version 5.0

ThizLinux desktop version is the Group's flagship product which is an operating system for desktop PCs. The Group has successfully improved ThizLinux version 5.0 to support multi-languages including English, Japanese, Korean, traditional and simplified Chinese, German, French, Spanish, Italian, Portuguese, Russian and Brazilian. This achievement allows the Group's products to be distributed to Asian, European and South American countries. This also demonstrates the Group's strong ability in developing Linux products.

(2) ThizLinux version 5.0 receiving A+ grading from PRC authority

ThizLinux 5.0 simplified Chinese desktop version has passed the testing of GB18030 by PRC's Standardization of Information Technology Committee and was awarded an A+ grade, the highest grade of the testing. This is a clear indication that the Group's products are highly regarded and well received by the PRC standards and thus paving the way for the Group to tap into the enormous market in the Mainland China.

(3) Market expansion in the PRC

In order to tap into the fast growing Linux market in the region of greater China, the Group has set up a Beijing sales office in December 2001. The Beijing office is responsible for all marketing and distribution of the Group's products within the region. Since ThizLinux 5.0 simplified Chinese desktop version has received a good quality grading, the Directors believe that this product will be well received once the marketing campaign kicks off.

(4) Launch of new products

During this quarter, the Group has also launched a number of new products which include:

- ThizCampus, a school intranet solution, allowing information sharing, enhancing communication among students and teachers and lowering school administration workloads.
- Click2Office, an office groupware with SMS function, customer database management and customer services tracking to enhance the internal communication between various departments of enterprises.
- Thiz Firewall, a security software.

These new products are now being launched targeting at the education sector. The responses from schools have so far been very positive.

(5) Commencement of OEM motherboard bundle shipment

The Group has focused on the market of OEM bundle versions of its products. Following the success in developing multi-language versions of its products, the Group is now ready to deliver the OEM bundle versions of ThizLinux and ThizOffice. The disks are being produced and the first shipment of OEM versions for motherboard bundle is expected to be delivered in early March 2002. This is an important milestone for the Group to tap the OEM market.

Looking ahead, the Group has already developed a number of products ready for sale to the fast expanding market especially in the region of Greater China. The Directors are very confident in the future business growth. With all the new shipments and potential orders associated with the successful launch of the products, the management expects that significant turnover will be recorded in the remaining quarter of this financial year.

DIRECTORS' INTEREST IN SHARE CAPITAL

As at 31 December, 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

Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”), 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 31 December, 2001.

DIRECTORS’ RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

The Company adopted the Share Option Scheme (the “Scheme”) on 6 July, 2001, pursuant to which it may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company.

As at 31 December, 2001, the following options had been granted to the following executive directors:

Grantee	Date of grant	Exercise price per share HK\$	Exercise period	No. of ordinary shares eligible for subscription under the option	Types of interest
Mr. Li Sze Tang	21 November, 2001	3.15	30 June, 2002 to 29 June, 2012	164,000 164,000	Personal Family(*)
Mr. Albert Wong	21 November, 2001	3.15	30 June, 2002 to 29 June, 2012	164,000	Personal
Ms. Wanzi Huang	21 November, 2001	3.15	30 June, 2002 to 29 June, 2012	1,654,000	Personal

(*) It represents options granted to his spouse who is an employee of the Company.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 31 December, 2001.

OUTSTANDING SHARE OPTION

As at 31 December, 2001, in addition to the options granted to executive directors as disclosed above, the following options had been granted to other participants.

No. of employees	Date of grant	Exercise price per share HK\$	Exercise period	No. of ordinary shares eligible for subscription under the option
2	21 November, 2001	3.15	30 June, 2002 to 29 June, 2012	1,818,000

SUBSTANTIAL SHAREHOLDERS

As at 31 December, 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 31 December, 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 GEM Listing Rules for the period from 27 July, 2001 to 31 March, 2004.

None of CSC, its directors, 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 31 December, 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 SECURITIES

During the nine months ended 31 December, 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 Rules 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, 8 February, 2002