



即時科研集團有限公司*
Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2002

* *For identification purpose only*

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 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 Stock Exchange. Listed companies are not generally required to issue paid announcement 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 of Hong Kong Limited 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 (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 (the “GEM Listing Rules”) 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\$24,076,000 for the three months ended 30th June, 2002.
- Profit attributable to shareholders was approximately HK\$6,276,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30th June, 2002.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together the “Group”) for the three months ended 30th June, 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		For the three months ended 30th June,	
		2002	2001
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	24,076	2,566
Cost of sales		11,116	(2,007)
Gross profit		12,960	559
Other income		35	101
Operating expenses		6,719	(1,992)
Profit/(loss) from operations		6,276	(1,332)
Share of loss of a jointly controlled entity	3	–	(162)
Profit/(loss) before taxation		6,276	(1,494)
Taxation	4	–	–
– Hong Kong		–	–
– Elsewhere		–	(2)
Profit/(loss) for the period		6,276	(1,496)
Dividend		–	–
Profit/(loss) per share		0.38	(0.11)
– Basic (in cents)	5	0.38	(0.11)
– Diluted (in cents)	5	0.38	–

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong. The principal accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2002.

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 ("Thiz ERP") for the three months ended 30th June, 2002 and 30th June, 2001.

On 6th May, 2002, the Group acquired an additional 50% interest in Thiz ERP at a consideration of HK\$50,000 and thereafter Thiz ERP became a wholly owned subsidiary of the Company.

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 three months ended 30th June, 2002 and 30th June, 2001.

Taxes on profits assessable elsewhere have been calculated at the rates to tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings (2001: loss) per share is based on the profit attributable to shareholders of HK\$6,276,000 (2001: loss of HK\$1,496,000) and the weighted average of 1,654,500,000 ordinary shares (2001: 1,394,500,000) in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the period ended 30th June, 2002 is based on the profit attributable to shareholders of HK\$6,276,000. The weighted average number of ordinary shares used in the calculation is the 1,654,500,000 ordinary shares, as used in the basic earnings per share calculation and the weighted average of 8,433,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options on the date when the share options were granted. No diluted loss per share for the period ended 30th June, 2001 has been presented as the potential shares issuable under the share options granted are anti-dilutive.

6. Reserves

There was no movement to or from reserves during the three months ended 30th June, 2002 and 30th June, 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

During the first quarter, the Group's unaudited consolidated turnover and profit attributable to Shareholders for the three months ended 30th June, 2002 are HK\$24,076,000 (2001: HK\$2,566,000) and HK\$6,276,000 (2001: loss of 1,496,000). There is 935% change in turnover over the corresponding period last year.

The increase of turnover and profit was attributable to the monthly sales of Thiz Linux software bundled with motherboard of the well-known motherboard manufacturer.

BUSINESS REVIEW

During the period under review, the Group has achieved another technological breakthrough to enable its software to support Lotus Notes, a computer application widely used by both the Hong Kong SAR Government and many large corporations. With this breakthrough, government departments already began to try and deploy Thiz Linux Desktop 6.0. Not only does this signify the Group's wide acceptance in the market, but also represents an important step for Thiz Linux operating system to become the mainstream operating system.

The Group continued to target the education sector as an effort to establish and expand a critical user group. The Group was able to upkeep its promise to continuously introduce new products every two months. During the period under review, ThizExamOnline@School and ThizShopOnline@School were introduced and installed in several pilot schools in Hong Kong. The former product is an online examination system and the latter is a school purchasing system. With these two new products combining the existing Thiz Linux platform, schools can operate on a fully integrated IT platform and can save valuable resources.

Besides penetrating the Hong Kong market, the Group has taken proactive strategy to explore and to capture opportunities in the abundant PRC market. During the period under review, the Group has cooperated with Beijing Normal University to tap into the lucrative long-distance educational programs for teachers, so as to raise the Group's brand awareness amongst the estimated 11 million teachers who are required to obtain their formal education degree by 2007. At the same time, the Group began to co-operate with renowned Chinese universities and various government departments to build a Linux education network in the PRC. After paying a registration fee to the Group, registered institutions will be granted the right to provide a series of courses on Thiz Linux as well as to issue certificates on behalf of the Group. This could possibly raise the Group's brand awareness in a cost-efficient manner while establishing a stable revenue source.

During the three months ended 30th June, 2002, the Group made inroads to further boost its brand name in the international arena. The Group's products were co-branded with Taiwan International Business Machine Company Limited ("Taiwan IBM") and served as an endorsement of the Group's product quality. This agreement signified the Group's first step for potential cooperation with renowned global IT giants in other markets. With the Taiwan government adopting usage of Linux software, the Group is confident that the demand in the Taiwan market will be substantial.

At the same time, the Group also announced the plan to establish an ADR program to bring the name of Thiz Technology to the investment community in the US.

Prospects

Looking ahead, the Group will continue to seek after market expansion and provide a comprehensive range of Linux applications. Reaching towards our goal to become a global Linux software provider, prototypes of Thiz Linux Desktop and Thiz Office box set will be developed for Australia and US markets. It is expected that the abovementioned products will be available for sale in both the US and Australia markets within 2 to 3 months. We will continue to explore both the retail and the OEM market in different regions. For the coming months, we will explore the South Asia market and to investigate the opportunity of Thiz Linux.

Our strategy is to continue leveraging on our sophisticated research and development capability as well as to liaise with technology partners to enhance our product attributes. With competitive edges in product development and strategic alliances, the Group differentiates itself from others and stands out as the leader in the Linux arena.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2002, the interests of the Directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Wong Hoi Wong ("Mr. Albert Wong")	—	—	—	834,425,000 (Note)
Mr. Li Sze Tang	404,850,000	—	—	—
Ms. Wanzi Huang	69,725,000	—	—	—

Note:

These 834,425,000 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 30th June, 2002.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

The Company adopted the Share Option Scheme (the "Scheme") on 6th 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 30th June, 2002, 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	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	1,640,000	Personal
Mr. Albert Wong	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	1,640,000	Family(*)
Ms. Wanzi Huang	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	16,540,000	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 30th June, 2002.

As at 30th June, 2002, save as disclosed below, no other options has been granted under the scheme and none of the options granted has been exercised.

OUTSTANDING SHARE OPTION

As at 30th June, 2002, 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	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	18,180,000

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, 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>)	834,425,000	50.43

Note:

These 834,425,000 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 30th June, 2002, 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 27th July, 2001 to 31st 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 30th June, 2002.

COMPETING INTERESTS

None of the Directors or the management shareholders (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 three months ended 30th June, 2002, 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, 13th August, 2002