



**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 2003**

\* *For identification purpose only*

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

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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 (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\$15,914,000 for the three months ended 30th June, 2003.
- Loss attributable to shareholders was approximately HK\$1,829,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30th June, 2003.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 30th June, 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

		<b>For the three months ended 30th June,</b>	
		<b>2003</b>	<b>2002</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>15,914</b>	24,076
Cost of sales		<b>(3,333)</b>	(11,116)
Gross profit		<b>12,581</b>	12,960
Other revenue		<b>84</b>	35
Provision for doubtful debts		<b>(9,360)</b>	–
Operating expenses		<b>(5,116)</b>	(6,719)
(Loss)/profit before taxation		<b>(1,811)</b>	6,276
Taxation	3		
– Elsewhere		<b>(18)</b>	–
(Loss)/profit for the period		<b>(1,829)</b>	6,276
Dividend		<b>–</b>	–
(Loss)/earnings per share			
– Basic (in cents)	4	<b>(0.11)</b>	0.38
– Diluted (in cents)	4	<b>(0.11)</b>	0.38

Notes:

# **1. Basis of preparation**

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”), and accounting principles generally accepted in Hong Kong. The principal accounting policies and methods of computation 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, 2003, except that the Group has adopted, for the first time, SSAP 12 (revised) “Income Taxes, issued by the HKSA. In the opinion of the Directors, the adoption of this revised SSAP did not have a material impact on the results of the Group for the current and prior accounting periods, accordingly, no prior period adjustment has been required.

# **2. Turnover**

Turnover represents the invoiced value of Linux related products sold, distribution income, Linux training income, Linux related services and web design services rendered and commission income/invoiced value of computer products sold, after allowances for returns and discounts and net of value-added tax.

# **3. 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, 2003 and 30th June, 2002.

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

Deferred taxation in respect of unused tax losses for the periods has not been recognised as it is not probable that future taxable profits will be available for setting off.

# **4. (Loss)/earnings per share**

The calculations of the basic and diluted (loss)/earnings per share for the period are based on the following data:–

	<b>For the three months ended 30th June,</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	<b>(1,829)</b>	6,276
Effect of dilutive potential ordinary shares:–		
Interest on convertible notes	<u><b>25</b></u>	<u>–</u>
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	<u><b>(1,804)</b></u>	<u>6,276</u>

	<b>2003</b>	2002
	<b>No. of shares</b>	No. of shares
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>1,646,060,000</b>	1,654,500,000
Effects of dilutive potential ordinary shares:–		
Share options	–	8,433,000
Convertible notes	<b>25,000,000</b>	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<b><u>1,671,060,000</u></b>	<b><u>1,662,933,000</u></b>

The share options had no dilutive effect for the period ended 30th June, 2003 because the exercise price of the Company's share options was higher than the average market price of the shares during the period.

## **5. Reserves**

There was no movement to or from reserves during the three months ended 30th June, 2003 and 30th June, 2002.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2003 (2002: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial Performance**

The Group recorded a consolidated turnover of HK\$15,914,000 for the three months ended 30th June, 2003, representing a 34% decrease compared to HK\$24,076,000 for the same period in 2002. The significant decrease in turnover was attributed to the decrease in sale and trading of computer products. However, the Group was able to achieve a gross profit margin of 79% (2002: 54%), owing to the higher profit margin in distribution of Linux based software products. During the period, the Group had an operating loss of HK\$1,811,000 from its operating activities as compared to operating profit of HK\$6,276,000 for the same period in 2002. The contrasting results was brought by the provision for doubtful debts of HK\$9,360,000 that had been made for several outstanding trade debtors. The Group had actively taken procedures to demand settlements and will take legal actions in case necessary. As a result of the above, loss attributable to shareholders was HK\$1,829,000 for the period, while the corresponding period in 2002 had a profit of HK\$6,276,000.

## **Business Development**

Thiz Technology Group Limited was awarded Linux Standard Base (“LSB”) 1.3 international certification on 30th May, 2003, which marked an important milestone for the research and development of the Linux Desktop application products of the Group. It is encouraging that ThizLinux Desktop 7.0 is one of the few products in the world to receive the LSB 1.3 international certification. Operating systems that have been LSB certified means that they are compatible with the prescribed standards, and compatible with other LSB certified systems. This provides a common arena for application software developer to develop cross platform products. Development of ThizLinux has been underway for five years since 1998 and various ThizLinux product lines have been introduced. Latest rollout of our new products commenced in June, 2003, which included ThizLinux Desktop 7.0, ThizOffice 4.0, Thiz Anti-Virus Desktop 7.0, Thiz Firewall 7.0, and Highly Available Cluster Applications (HA: software 1.0). Comprehensive update of our software products marks a new era for Linux, and creates more choices for computer users.

## **Prospect**

The upgrading of ThizLinux products not only brings us the LSB 1.3 international certification but also enables the Group to be successfully recognised by the Hong Kong SAR Government as Linux desktop solution provider. The Hong Kong SAR Government has acquired the ThizLinux Desktop 7.0, ThizOffice 4.0 and Thiz Anti-Virus Desktop 7.0, and trial operations have begun in 19 departments. It is expected that upon successful operation and implementation, such solution will become one of the models for the Hong Kong electronic government administration, and then if genuine Linux desktop solution can be successfully promoted to all governments at provincial and city levels in the PRC. It will make a remarkable contribution to the state’s e-Government administration. This is also in line with the strategy of “Seven Core Businesses” of the Group, where one of the aims is to facilitate and promote e-Government administration. In addition, the Group will continue to pursue its strategy in all aspects of the strategy and enhance our position on the market and profitability in order to create value for the shareholders.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES**

As at 30th June, 2003, the interests (including interests in shares and short positions) of the Directors and Chief Executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in Ordinary Shares of HK\$0.01 of the Company

Name of Director	Type of interest	Total number of shares held	Percentage of shareholding
Mr. Lin Chien Hsin (“Mr. Charles Lin”)	Personal	250,000,000	15.19%
Mr. Wong Hoi Wong (“Mr. Albert Wong”) ( <i>Note</i> )	Other	360,000,000	21.87%
Ms. Wanzi Huang	Personal	69,725,000	4.24%

*Note:* These 360,000,000 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.

### Long Positions in Underlying Shares of Equity Derivatives of the Company

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:

Name of Director	Type of interest	Date of grant	Exercise price per share HK\$	Exercisable period	Number of ordinary shares eligible for subscription under options granted and outstanding as at 30th June, 2003
Mr. Albert Wong	Personal	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	1,640,000
Ms. Wanzi Huang	Personal	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	16,540,000

No options were granted or exercised under the Scheme during the three months ended 30th June, 2003.

Save as disclosed above, as at 30th June, 2003, none of the Directors, Chief Executive of the Company and their associates had any other interest or short positions 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the three months ended 30th June, 2003 was the Company or any of its subsidiaries a party to any arrangements to enable any Director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, so far is known to the Directors, the following persons (not being a Director or a Chief Executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of Shareholder	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Eaglemax International Investment Limited ( <i>Note</i> )	Corporate	360,000,000	21.87%
Applied Component Technology Corporation	Corporate	324,340,000	19.70%

*Note:* These 360,000,000 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. The shareholding is duplicated in the Directors and Chief Executives' Interests disclosed above.

So far is known to the Directors and Chief Executive of the Company, save as disclosed above, as at 30th June, 2003, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.



## **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, 2003, 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 acts 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, 2003.

## **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, 2003, 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 advices 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  
**Lin Chien Hsin**  
*Chairman*

Hong Kong, 13th August, 2003