



# THIZ TECHNOLOGY GROUP LIMITED

即時科研集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*



3RD QUARTERLY REPORT 2003/04

\* 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 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\$30,040,000 for the nine months ended 31st December, 2003.
- Loss attributable to shareholders was approximately HK\$9,916,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the nine months ended 31st December, 2003.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31st December, 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	<b>For the three months ended 31st December,</b>		<b>For the nine months ended 31st December,</b>	
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>6,456</b>	13,509	<b>30,040</b>	51,216
Cost of sales		<b>(5,056)</b>	(1,539)	<b>(11,082)</b>	(14,130)
Gross profit		<b>1,400</b>	11,970	<b>18,958</b>	37,086
Other revenue		<b>28</b>	9	<b>299</b>	68
Provision for doubtful debts		<b>–</b>	–	<b>(10,725)</b>	–
Operating expenses		<b>(6,477)</b>	(4,748)	<b>(18,252)</b>	(21,571)
(Loss)/profit from operations		<b>(5,049)</b>	7,231	<b>(9,720)</b>	15,583
Finance costs		<b>(42)</b>	–	<b>(112)</b>	–
(Loss)/profit before taxation		<b>(5,091)</b>	7,231	<b>(9,832)</b>	15,583
Taxation	3				
– Hong Kong		–	–	–	–
– Elsewhere		<b>(30)</b>	–	<b>(84)</b>	–
(Loss)/profit for the period		<b>(5,121)</b>	7,231	<b>(9,916)</b>	15,583
Dividend		<b>–</b>	–	<b>–</b>	–
(Loss)/earnings per share					
– Basic (in cents)	4	<b>(0.26)</b>	0.44	<b>(0.57)</b>	0.94

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

		Share capital	Share premium	Capital redemption reserve	Special reserve	Exchange reserve	Accumulated losses	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st April, 2002		16,545	19,573	–	360	5	(11,145)	25,338
Repurchase of shares		(84)	(1,915)	84	–	–	(84)	(1,999)
Profit attributable to shareholders		–	–	–	–	–	15,583	15,583
As at 31st December, 2002		<u>16,461</u>	<u>17,658</u>	<u>84</u>	<u>360</u>	<u>5</u>	<u>4,354</u>	<u>38,922</u>
As at 1st April, 2003		16,461	17,658	84	360	6	(4,094)	30,475
Rights issue	(a)	3,950	5,136	–	–	–	–	9,086
Rights issue expenses		–	(788)	–	–	–	–	(788)
Exchange adjustment on translation of the financial statements of foreign subsidiaries		–	–	–	–	(13)	–	(13)
Loss attributable to shareholders		–	–	–	–	–	(9,916)	(9,916)
As at 31st December, 2003		<u>20,411</u>	<u>22,006</u>	<u>84</u>	<u>360</u>	<u>(7)</u>	<u>(14,010)</u>	<u>28,844</u>

*Note:* (a) At 24th October, 2003, the Company successfully raised approximately HK\$8.3 million net of expenses, by way of rights issue, of 395,054,400 rights shares on the basis of six rights shares for every twenty-five shares of HK\$0.01 each of the Company held, at a price of HK\$0.023 per rights share to the qualifying shareholders. Details of the rights issue are set out in the announcements of the Company dated 11th September, 2003 and 24th October, 2003.

(b) The special reserve of the Group represents the difference between the nominal value of shares of the Company and the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation.

## NOTES TO THE ACCOUNTS

### 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 condensed 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 adjustment was required.

### 2. Turnover

Turnover represents the invoiced value of computer products sold and Group’s Linux based software products distributed, training income, artwork and web design services rendered, 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 nine months ended 31st December, 2003 and 31st December, 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 legislation, 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:—

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2003	2002	2003	2002
	HK’000	HK\$’000	HK’000	HK\$’000
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	(5,121)	7,231	(9,916)	15,583
Effect of dilutive potential ordinary shares:—				
Interest on convertible notes	25	—	75	—
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	<u>(5,096)</u>	<u>7,231</u>	<u>(9,841)</u>	<u>15,583</u>

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2003	2002	2003	2002
	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>1,942,350,800</b>	1,646,060,000	<b>1,745,182,740</b>	1,650,295,345
Effects of dilutive potential ordinary shares:–				
Convertible notes	<u><b>25,205,479</b></u>	<u>–</u>	<u><b>75,342,465</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<u><b>1,967,556,279</b></u>	<u>1,646,060,000</u>	<u><b>1,820,525,205</b></u>	<u>1,650,295,345</u>

The share options had no dilutive effect for the three months and nine months ended 31st December, 2003 because the exercise price of the Company's share options was higher than the average market price of the shares during the periods.

No diluted loss per share has been presented for the three months and nine months ended 31st December, 2003 as the conversion of the convertible notes would result in a decrease in loss per share.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2003 (2002: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Financial Performance

For the nine months ended 31st December, 2003, the Group's consolidated turnover amounted to HK\$30,040,000, representing a decrease of 41% compared to HK\$51,216,000 of the corresponding period in 2002. During the period under review, loss from operations of the Group amounted to HK\$9,720,000, compared to a profit from operations of HK\$15,583,000 recorded in the corresponding period in 2002. Furthermore, loss attributable to shareholders for the nine months ended 31st December, 2003 amounted to HK\$9,916,000, while the corresponding period in 2002 recorded a profit of HK\$15,583,000.

## **Business Review**

The Group has taken great leaps in promoting its Linux training business as a top brand in the Greater China Region. Following the successful introduction of Linux Software Development Engineer training programme into China in September 2003, the Group has recruited two classes of students in Beijing within two weeks. The training base in Dalian set up in October also gained fruitful success. The Group further repeated remarkable success for its newly set up training centres in Shanyang and Changchun in November. A total of 14 classes of about 300 students were attracted by the Group for its Software Development Engineer training course during the third quarter, and 20 inhouse engineers of the Group were assigned as lecturers in this connection. Senior lecturers from Hong Kong and Taiwan were also sent to Beijing and the north-eastern region of China for course teaching. Overwhelming responses were received from our students. Further, the Group has actively compiled new teaching materials and manuals for 2004 in collaboration with 30 engineers, displaying its effort towards emerging as the first-ranking brand amongst Linux training players in China.

## **Prospect**

In addition to the smooth introduction of the training programme “1+1+1 Project” in cooperation with Beijing IT Industry Promotion Centre in Beijing, the Group has also applied its own and the regional management centres’ influences to launch training programmes in three training centres in Dalian, Shanyang and Changchun in the north-eastern region of China, and an additional ten new training centres are planned to be set up on a nationwide basis. Income from such training business are sufficient to cover the Group’s operating expenses. While focusing on training a core team of outstanding engineers, the Group will be able to enhance its top brand image in the field of software engineer training, furnish a solid foundation of product sales and services, and to ensure continuous ample supply of Linux professionals.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31st December, 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	353,000,000	17.29%
Mr. Wong Hoi Wong ("Mr. Albert Wong") ( <i>Note</i> )	Other	397,200,000	19.46%
Ms. Wanzi Huang	Personal	86,459,000	4.24%

*Note:* These 397,200,000 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	Exercisable period	Number of
					ordinary shares eligible for subscription under options granted and outstanding as at 31st December, 2003
		<i>HK\$</i>			
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 nine months ended 31st December, 2003.

Save as disclosed above, as at 31st December, 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 nine months ended 31st December, 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 31st December, 2003, so far is known to the Directors, save as the following persons (not being a Director or a Chief Executive of the Company), 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 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 5% 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 (Note)	Corporate	397,200,000	19.46%
Applied Component Technology Corporation	Corporate	324,340,000	15.89%

*Note:* These 397,200,000 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 Executive's Interests disclosed above.

## 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 31st December, 2003, was entitled to exercise or control the exercise of 5% 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 31st December, 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 businesses of the Group.

## **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31st December, 2003.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the nine months ended 31st December, 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. Ko Ming Tung, Edward, both being independent non-executive Directors of the Company.

By Order of the Board

**Lin Chien Hsin**

*Chairman*

Hong Kong, 12th February, 2004