



Thiz Technology Group Limited

即時科研集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

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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\$6,643,000 for the three months ended 30th June, 2004.
- Loss attributable to shareholders was approximately HK\$900,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30th June, 2004.

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, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

		For the three months ended 30th June,	
		2004	2003
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	6,643	15,914
Cost of sales		(2,839)	(3,333)
Gross profit		3,804	12,581
Other revenue	2	255	84
Provision for doubtful debts		–	(9,360)
Selling and distribution expenses		(1,455)	(1,028)
General and administrative expenses		(3,353)	(4,061)
Loss from operations		(749)	(1,784)
Finance costs		(63)	(27)
Loss before tax		(812)	(1,811)
Tax	3	(88)	(18)
Loss attributable to shareholders		(900)	(1,829)
Dividend		–	–
Loss per share	4		
– Basic (in cents)		0.044	(0.11)
– Diluted (in cents)		0.040	(0.11)

Notes:

1. Basis of preparation

The unaudited financial statements 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. They have been prepared under the historical cost convention and comply with the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. 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, 2004.

The unaudited consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the three months ended 30th June, 2004. All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover

Turnover represents the invoiced value of computer products sold and Group’s Linux based software products distributed and training income, after allowances for returns and discounts and net of value-added tax.

An analysis of turnover and other revenue is set out below:–

	For the three months ended 30th June,	
	2004	2003
	HK\$’000	HK\$’000
Turnover:–		
Distribution of Group’s Linux based software products	1,617	11,826
Sales of computer products	2,440	3,699
Training income	2,586	389
	6,643	15,914
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Other revenue:–		
Interest income	2	1
Sundry income	253	83
	255	84
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	6,898	15,998
	=====	=====

3. Tax

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, 2004 and 30th June, 2003.

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 per share

The calculations of the basic and diluted loss per share for the period are based on the following data:-

	For the three months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic loss per share	(900)	(1,829)
Effect of dilutive potential ordinary shares:-		
Interest on convertible notes	<u>52</u>	<u>25</u>
Loss for the purpose of calculating diluted loss per share	<u>848</u>	<u>(1,804)</u>
	2004	2003
	No. of shares	No. of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,041,114,400	1,646,060,000
Effects of dilutive potential ordinary shares:-		
Convertible notes	<u>70,395,738</u>	<u>25,000,000</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>2,111,510,138</u>	<u>1,671,060,000</u>

The share options had no dilutive effect for the period ended 30th June, 2004 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

	Share premium <i>HK'000</i>	Capital redemption reserve <i>HK'000</i>	Special reserve <i>HK'000</i>	Exchange reserve <i>HK'000</i>	Accumulated losses <i>HK'000</i>	Total <i>HK'000</i>
At 1.4.2003	17,658	84	360	6	(4,094)	14,014
Exchange adjustment on translation of the financial statements of foreign subsidiaries	-	-	-	4	-	4
Loss attributable to shareholders	-	-	-	-	(1,829)	(1,829)
At 30.6.2003	<u>17,658</u>	<u>84</u>	<u>360</u>	<u>10</u>	<u>(5,923)</u>	<u>12,189</u>
At 1.4.2004	22,006	84	360	15	(17,447)	5,018
Exchange adjustment on translation of the financial statements of foreign subsidiaries	-	-	-	12	-	12
Loss attributable to shareholders	-	-	-	-	(900)	(900)
At 30.6.2004	<u>22,006</u>	<u>84</u>	<u>360</u>	<u>27</u>	<u>(18,347)</u>	<u>4,130</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2004 (2003: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months ended 30th June, 2004, the Group's consolidated turnover amounted to HK\$6,643,000, representing a decrease of 58% compared to HK\$15,914,000 of the corresponding period in 2003. The significant drop is attributed to the termination of a Linux software licensing contract by the Group in July 2003 due to default in payment of licence fee by the customers. Litigation process has been instituted by the Group and based on legal advice obtained, the Group has a good prima facie case in respect of our claim of the outstanding licence fee.

During the period under review, loss from operations of the Group amounted to HK\$749,000, compared to HK\$1,784,000 in the corresponding period last year. Further, loss attributable to shareholders for the period was HK\$900,000, while the corresponding period last year was HK\$1,829,000. As a result of this, gross profit ratio for the period was -13.5, compared to -11.5 of last year.

Although termination of the licensing contract had a considerable impact on the Group's revenue and profitability, its effect was starting to be offset by the booming results of the training income from "Thiz BEST" and sale of "Thiz Easy Shop" during the period. The trend is expected to be continuing and bring more encouraging results in the near future.

Business Review

Subsequent to the issue of the 2003/2004 annual report, the first quarter of year 2004/2005 has also just passed. Looking back on the Group's arrangements of all areas and the business development tactic of "4 Wheels in One Track with Cross-duplication", we see encouraging results from the successful start in the first quarter of 2004/2005. In respect of "The First Wheel" of e-commerce application development, the "Owners Zone" in Taiwan has begun to amass 120 web shops, and is believed to develop into a noticeable trading platform in the second quarter with the better equipped B2C function and the completion of the B2B e-commerce software. Meantime, "The Second Wheel" – training program business in Hong Kong was continuing to develop by forming partnership relationship one after another with City University of Hong Kong, The Chinese University of Hong Kong, Vocational Training Council to organize hand in hand the Thiz BEST internationally accredited Linux Software Engineer training programme, which has successfully run for intakes. The launch of new product "Thiz Easy Theatre" has, in a short time, solicited 2 orders with a total contract value of RMB2,500,000, and was scheduled to deliver in the third quarter this year. This new product is user-friendly and easy to sell in bundle with ordinary computers and notebook computers. The goal in this regard is to sell this product with 10 major PC manufacturers in the future. More importantly,

this product incorporates domestic applications such as DVD, TV, Internet browsing and video recording functions, all accord with a human touch to make computer a popular tool such that all people, irrespective of their age and gender, can use it, without the need to log on a system platform with application software.

“The Third Wheel” has, after the implementation of “1+1+1 Project” in China, enrolled an accumulation of 50 intakes and set up 10 education centres with approximately 1,000 students throughout the period from September 2003 to June 2004. It has brought a generous revenue to the Group. Thiz Technology Group Limited has become the number one company engaging in Linux training business in the PRC, leaving other Linux and training companies such as Red Hat, Turbolinux, 紅旗, 新華, LPI etc. far behind.

“The Fourth Wheel” is to establish ThizLinux Institutes across the Greater China region. We have set up a company in Dalian at the end of June 2004, and established the first Linux software institute in China, commencing to enrol graduates from North-Eastern China (including but not limited to Dalian, Shenyang, Changchun, Haerbin and Inner Mongolian) for internship.

The tactic of “4 Wheels in One Track with Cross-duplication” has successfully been activated, and we are glad to see the Group to excel and prosper with firm development steps.

Prospect

The Group is delighted to see the contribution in 2003 yields positive results in 2004 and has brought revenue and return, boosting the morale of the staff of the Group. In order to accelerate its development, the Group expanded its establishment by increasing the number of staff members from 110 to 160, in particular the number of teachers has been increased from 20 to 60, to cope with the development of “1+1+1 Project” that are geared to recruit students nation-wide. It is expected that, based on the speed of expansion, there will be at least 2,000 students enrolled in Thiz BEST by the end of 2004. “Thiz Easy Shop” being developed in Taiwan will have the chance to be introduced into China for promotion across the country in the future, pushing the Group to another height. The training business and “Thiz Easy Shop” although appear to be unrelated, in fact, “Thiz Easy Shop” is the integration of courses relating to system and network security, elementary database and PHP programming, the component courses of Thiz BEST. As such, the students can acquire career skills and the Group can utilize the application of “Thiz Easy Shop” to enable the students to learn for practice, or even start their own business to become owner of a web shop. This is one of the dynamics that can be heralded in the tactic of “4 Wheels in One Track with Cross-duplication” in the future.

Worth mentioning, the Group was invited to participate in the formulation of new standards for LSB 2.0 international certification for its achievement in LSB 1.3 internationally accredited desktop system and 64-bit server software, which is an honour and recognition to the Group. In the China front, besides assisting the Chinese government in cultivating Linux talents, the Group was also invited to join the group for formulation of Linux standardization in China under the supervision of Ministry of Information Industry of China. It is believed that with the Group's products coming up to internationalized and formulation of China's certification standard, the Group will be able to give play to its role of the bridge between China and the international Linux standard. In line with its core mission of "Benefiting Our Country, Our People and Ourselves", the Group is bound to rack its brain to contribute its share.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY

As at 30th June, 2004, the interests or short positions of the directors and chief executive in the 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 ("SFO"), Chapter 571 of the Laws of Hong Kong), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

(a) 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	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 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, 2004
Mr. Albert Wong	Personal	21st November, 2001	0.284	30th June, 2002 to 29th June, 2012	1,819,014
Ms. Wanzi Huang	Personal	21st November, 2001	0.284	30th June, 2002 to 29th June, 2012	18,345,423

No options were granted or exercised under the Scheme during the three months ended 30th June, 2004.

(b) Short positions in the shares and underlying shares of the Company

Save as disclosed herein, as at 30th June, 2004, none of the directors has short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, as at 30th June, 2004, none of the directors had any interests 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 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 are taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2004, the following persons (not being the directors and chief executives of the Company) had interests or short positions in the shares, underlying shares or debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO as follows:–

Name of Shareholder	Nature of interest	Number of shares held	Percentage of shareholding
Eaglemax International Investment Limited (<i>Note 1</i>)	Corporate	397,200,000	19.46%
Applied Component Technology Corporation	Corporate	324,340,000	15.89%
Mr. Ma Joen Hsian (<i>Note 2</i>)	Personal	148,612,770	7.28%

Note 1: These 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 in Securities of the Company” disclosed above.

Note 2: This represents 48,612,770 ordinary shares of the Company held by and 100,000,000 to be allotted and issued to Mr. Ma Joen Hsian upon the full conversion of principal amounts of HK\$1,500,000 and HK\$2,100,000 unlisted convertible notes subscribed on 17th January, 2003 and 26th March, 2004 respectively. Both amounts of unlisted convertible notes bear interest of 2.5% per annum with maturity of three years on 16th January, 2006 and 25th March, 2007 respectively. They are both convertible into ordinary shares of the Company at a conversion price of HK\$0.036 per share (subject to adjustments).

Save as disclosed above, as at 30th June, 2004, there was no person (not being the directors and chief executives of the Company) who had any interests or short positions in the shares, underlying shares and debentures of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executives' Interests in Securities of the Company", at no time during the three months ended 30th June, 2004 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.

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, 2004, 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.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 30th June, 2004

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the three months ended 30th June, 2004.

AUDIT COMMITTEE

The Company has established an audit committee since August 2001 with its written terms of reference being in compliance with Rules 5.29 to 5.32 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.

The Group's financial statements for the three months ended 30th June, 2004 have been reviewed by the audit committee who was of the opinion that such financial statements complied with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures had been made.

By Order of the Board

Lin Chien Hsin

Chairman

Hong Kong, 11th August, 2004

At the date of this report, the Board comprises:

Mr. Lin Chien Hsin (*Chairman*)

Mr. Wong Hoi Wong (*Executive director*)

Ms. Wanzi Huang (*Executive director*)

Ms. Li Zhe (*Independent non-executive director*)

Mr. Ko Ming Tung, Edward (*Independent non-executive director*)