



Thiz Technology Group Limited

即時科研集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

\* 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 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\$16,545,000 for the nine months ended 31st December, 2004.
- Loss attributable to shareholders was approximately HK\$9,864,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the nine months ended 31st December, 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 and nine months ended 31st December, 2004 together with the comparative unaudited figures for the corresponding periods in 2003 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>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>4,986</b>	6,456	<b>16,545</b>	30,040
Cost of sales		<b>(3,623)</b>	(5,056)	<b>(8,586)</b>	(11,082)
Gross profit		<b>1,363</b>	1,400	<b>7,959</b>	18,958
Other revenue		<b>65</b>	28	<b>411</b>	299
Provision for doubtful debts		<b>—</b>	—	<b>—</b>	(10,725)
Operating expenses		<b>(6,739)</b>	(6,477)	<b>(17,966)</b>	(18,252)
Loss from operations		<b>(5,311)</b>	(5,049)	<b>(9,596)</b>	(9,720)
Finance costs		<b>(90)</b>	(42)	<b>(241)</b>	(112)
Loss before tax		<b>(5,401)</b>	(5,091)	<b>(9,837)</b>	(9,832)
Tax	3	<b>(88)</b>	(30)	<b>(237)</b>	(84)
Loss before minority interests		<b>(5,489)</b>	(5,121)	<b>(10,074)</b>	(9,916)
Minority interests		<b>116</b>	—	<b>210</b>	—
Loss for the period		<b>(5,373)</b>	(5,121)	<b>(9,864)</b>	(9,916)
Dividend		<b>—</b>	—	<b>—</b>	—
Loss per share	4				
– Basic (in cents)		<b>(0.25)</b>	(0.26)	<b>(0.47)</b>	(0.57)
– Diluted (in cents)		<b>N/A</b>	N/A	<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st April, 2003	16,461	17,658	84	360	6	(4,094)	30,475
Rights issue	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>
As at 1st April, 2004	20,411	22,006	84	360	15	(17,447)	25,429
Rights issue ( <i>Note</i> )	10,206	3,061	–	–	–	–	13,267
Rights issue expenses	–	(796)	–	–	–	–	(796)
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	(78)	–	(78)
Loss attributable to shareholders	–	–	–	–	–	(9,864)	(9,864)
As at 31st December, 2004	<u>30,617</u>	<u>24,271</u>	<u>84</u>	<u>360</u>	<u>(63)</u>	<u>(27,311)</u>	<u>27,958</u>

*Note:* At 21st December, 2004, the Company successfully raised approximately HK\$12.5 million net of expenses, by way of rights issue, of 1,020,557,200 rights shares on the basis of one rights share for every two shares of HK\$0.01 each of the Company held, at a price of HK\$0.013 per rights share to the qualifying shareholders. Details of the rights issue are set out in the announcements of the Company dated 4th November, 2004 and 21st December, 2004.

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 unaudited consolidated results for the nine months ended 31st December, 2004 have been prepared in accordance with the Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited.

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.

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, 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 31st December,		For the nine months ended 31st December,	
	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Turnover:–				
Distribution of Group’s Linux based software products	1,640	1,339	4,760	17,120
Sale of computer products	2,522	4,556	6,527	11,109
Training income	824	561	5,258	1,811
	<u>4,986</u>	<u>6,456</u>	<u>16,545</u>	<u>30,040</u>
Other revenue:–				
Interest income	1	1	4	2
Sundry income	64	27	407	297
	<u>65</u>	<u>28</u>	<u>411</u>	<u>299</u>
	<u>5,051</u>	<u>6,484</u>	<u>16,956</u>	<u>30,339</u>

### 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 nine months ended 31st December, 2004 and 31st December, 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 tax 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:—

	<b>For the three months ended 31st December,</b>		<b>For the nine months ended 31st December,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the purpose of calculating basic loss per share	<b>(5,373)</b>	(5,121)	<b>(9,864)</b>	(9,916)
Effect of dilutive potential ordinary shares:— Interest on convertible notes	<b>88</b>	25	<b>239</b>	75
Loss for the purpose of calculating diluted loss per share	<b><u>(5,285)</u></b>	<b><u>(5,096)</u></b>	<b><u>(9,625)</u></b>	<b><u>(9,841)</u></b>
	<b>For the three months ended 31st December,</b>		<b>For the nine months ended 31st December,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>2,152,044,530</b>	1,942,350,800	<b>2,078,225,571</b>	1,745,182,740
Effects of dilutive potential ordinary shares:— Convertible notes	<b><u>98,648,044</u></b>	<u>25,205,479</u>	<b><u>389,720,737</u></b>	<u>75,342,465</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<b><u>2,250,692,574</u></b>	<b><u>1,967,556,279</u></b>	<b><u>2,467,946,308</u></b>	<b><u>1,820,525,205</u></b>

The share options had no dilutive effect for the three months and nine months ended 31st December, 2004 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, 2004 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, 2004 (2003: Nil).

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial Performance**

The Group recorded a consolidated turnover of HK\$16,545,000 for the nine months ended 31st December, 2004, representing a 45% decrease compared to HK\$30,040,000 for the same period in 2003. Again, the significant decrease in turnover was attributed to the termination of a Linux software licensing contract by the Group in July 2003 owing to the customer's default in payment. Nevertheless, the effect was offset by the steady flow of training income from the training business, as reflected by the three months figure.

On the other hand, during the period under review, loss from operations of the Group amounted to HK\$9,596,000, compared to HK\$9,720,000 in the corresponding period last year. Loss attributable to shareholders was HK\$9,864,000, while the corresponding period last year was HK\$9,916,000.

### **Business Review**

The "1+1+1 Project" co-organised by the Group and the Training School of Beijing IT Industry Promotion Centre has been proceeded successfully. By the end of December, 2004, the number of the software engineers enrolled into the software institutes for internship after graduation and the students of the ThizLinux Institutes totaled 1,409. It is originally expected to nurture 1,000 software engineers within three years, however the Group has reached this target in one year and has nurtured ThizLinux software development engineers through its training, so that the difficulties in soliciting suitable Linux software engineers in China can be resolved. With development of software by interns of the ThizLinux Institutes, substantial application software for Windows platform can be converted to software for Linux platform or for cross-platform application. Through which, Linux system becomes more and more popular.

## Prospects

With the eventual completion of “1+1+1 Project”, the Group will dedicate more effort on its training by improving the Thiz BEST programme launched in the past and revising the programme as “Training Programme for Professionals of China and Hong Kong” and “Thiz On-The-Job Training Programme for Software Engineers”. For those graduated students under “Thiz On-The-Job Training Programme for Software Engineers”, they will receive Certification of Software Engineer issued by the Group and IBM respectively, and the Certification of Technical Level issued by Electronic Information Application Education Centre of the Ministry of Information Industry of China. As a result of these, the training programme of the Group in China will be more complete, thereby forming major assistance to career development of the graduated students.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 31st December, 2004, 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 5.46 to 5.68 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:

### (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	529,500,000	17.29%
Mr. Wong Hoi Wong (“Mr. Albert Wong”) ( <i>Note</i> )	Other	595,800,000	19.46%
Ms. Wanzi Huang	Personal	129,688,500	4.24%

*Note:* These 595,800,000 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 a share option scheme (the “2001 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. On 5th August, 2004, the Company adopted a new share option scheme (the “2004 Scheme”), pursuant to which it may grant options to eligible participants including executive directors of the Company to subscribe for shares in the Company and on the same day, the 2001 Scheme was terminated.

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
					31st December, 2004
Mr. Albert Wong	Personal	21st November, 2001	0.266	30th June, 2002 to 29th June, 2012	1,942,105
Ms. Wanzi Huang	Personal	21st November, 2001	0.266	30th June, 2002 to 29th June, 2012	19,586,843

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the nine months ended 31st December, 2004.

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

Save as disclosed herein, as at 31st December, 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 31st December, 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

As at 31st December, 2004, 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:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shareholding</b>
Eaglemax International Investment Limited (Note)	Corporate	595,800,000	19.46%
Applied Component Technology Corporation	Corporate	324,340,000	10.59%

*Note:* These 595,800,000 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 in Securities of the Company” 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, 2004, 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.

## 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 RULE 5.34 OF THE GEM LISTING RULES

The Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31st December, 2004.

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

During the nine months ended 31st December, 2004, 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 5.28 to 5.29 and 5.33 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 three members, namely, Ms. Li Zhe, Mr. Ko Ming Tung, Edward and Mr. Chu Wei Jen, all being independent non-executive Directors of the Company.

The Group's financial statements for the nine months ended 31st December, 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, 31st January, 2005

At the date of this report, the Board comprises:

Mr. Lin Chien Hsin (*Chairman and Executive Director*)  
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*)  
Mr. Chu Wei Jen (*Independent non-executive Director*)