



Thiz
Technology Group Limited*

即時科研集團有限公司

(Incorporated in the Cayman Islands with limited liability)



1st Quarterly Report

2005/06

商界展關懷

caringcompany 2004/05

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* For identification purpose only

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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.

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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\$2,160,000 for the three months ended 30th June, 2005.
- Loss attributable to shareholders was approximately HK\$4,964,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the three months ended 30th June, 2005.

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, 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30th June,	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	2,160	6,643
Cost of sales		(1,705)	(2,839)
Gross profit		455	3,804
Other revenue	2	247	255
Selling and distribution expenses		(624)	(1,455)
General and administrative expenses		(5,095)	(3,353)
Loss from operations		(5,017)	(749)
Finance costs	3	(88)	(63)
Loss before tax		(5,105)	(812)
Tax	4	–	(88)
Loss for the period		<u>(5,105)</u>	<u>(900)</u>
Attributable to Loss for the period:			
Shareholders of the Company		(4,964)	(900)
Minority interests		(141)	N/A
		<u>(5,105)</u>	<u>(900)</u>
Loss per share	5		
– Basic (in cents)		<u>0.214</u>	<u>0.044</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to shareholders of the Company							Minority interests HK\$'000	Total HK\$'000
	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, 2004	20,411	22,006	84	360	15	(17,447)	25,429	–	25,429
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	12	–	12	–	12
Loss attributable to shareholders	–	–	–	–	–	(900)	(900)	–	(900)
As at 30th June, 2004	<u>20,411</u>	<u>22,006</u>	<u>84</u>	<u>360</u>	<u>27</u>	<u>(18,347)</u>	<u>24,541</u>	<u>–</u>	<u>24,541</u>
As at 1st April, 2005	30,617	24,271	84	360	(213)	(40,042)	15,077	147	15,224
Issued Non-voting convertible preference shares	5,200	–	–	–	–	–	5,200	–	5,200
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	(84)	–	(84)	–	(84)
Loss attributable to shareholders	–	–	–	–	–	(4,964)	(4,964)	(141)	(5,105)
As at 30th June, 2005	<u>35,817</u>	<u>24,271</u>	<u>84</u>	<u>360</u>	<u>(297)</u>	<u>(45,006)</u>	<u>15,229</u>	<u>6</u>	<u>15,235</u>

1. Basis of preparation

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 accounting policies adopted in preparing the unaudited consolidated results for the three months ended 30th June, 2005 are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31st March, 2005 except for the adoption of certain new applicable Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") issued by the HKICPA which are effective for accounting periods beginning on or after 1st January, 2005 as described below.

The adoption of HKAS 1 affects certain presentation of income statement and statement of changes in equity.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share options. In prior years, when the Group granted options at nominal consideration to employees to acquire shares in the Company, no employee benefit cost or obligation was recognized at the date of grant.

The Directors also consider that the share options granted to certain employees of the Group represent share-based payments. However, as no option has been granted since 7th November, 2002, the provision of HKFRS 2 is not applicable to the Group's outstanding options.

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,	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Distribution of Group's Linux based software and hardware products	325	1,617
Sales of computer products	1,445	2,440
Training income	390	2,586
	<hr/> 2,160 <hr/>	<hr/> 6,643 <hr/>
Other revenue:		
Interest income	1	2
Sundry income	246	253
	<hr/> 247 <hr/>	<hr/> 255 <hr/>
	<hr/> 2,407 <hr/>	<hr/> 6,898 <hr/>

3. Finance costs

	For the three months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on Unlisted Convertible Notes	88	63
	<hr/> 88 <hr/>	<hr/> 63 <hr/>

4. Tax

The amount of taxation charged to the unaudited consolidated income statement represented the Hong Kong profits tax provided on the estimated assessable profit for the three month ended 30th June, 2005. Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

During the three month ended 30th June, 2005, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements as the tax loss of the Company is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

5. Loss per share

The calculation of basic loss per share for the three months ended 30th June, 2005 is based on the loss attributable to shareholders of HK\$4,964,000 (2004: HK\$900,000) and the weighted average of 2,317,166,757 (2004: 2,041,114,400) ordinary shares in issue during the period.

No diluted loss per share is presented as the outstanding share options and convertible notes were anti-dilutive.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months ended 30th June, 2005, the Group's consolidated turnover amounted to HK\$2,160,000 (2004: HK\$6,643,000). During the period under review, loss from operations of the Group amounted to HK\$5,017,000, compared to HK\$749,000 in the corresponding period last year. Further, loss attributable to shareholders for the period was HK\$4,964,000, while the corresponding period last year was HK\$900,000.

Business Review

Upon completion of “1+1+1 Project” co-organized by the Group and the Training School of Beijing IT Promotion Centre, the Group commenced planning for Linux Software training programme in the first quarter of 2005 and set the direction for long term training. The Group continued to use “ThizBEST” as the logo in relation to the Group’s training, naming the programme as “Thizlinux IT Professionals Training Programme”, and revised teaching materials for the programme. Such move can maintain the leading position of the Group in Linux software engineer training as well as the “Top Brand” in Linux training in the PRC. The Group also strengthened its relations with graduates, acted as a reliable supporter for those who had obtained “Thiz Technology Software Engineer International Certificates”. The Group upheld the spirit of “Free Software” with open source codes, making Linux to become a technological exchange platform for new generation software. Through student organizations, the Group established “Institute of Thiz Technology Alumni Association” to form a supporting network gathering Linux talents from various sectors and software companies from various areas. Concurrently, internship students in Dailian, Beijing and Shenzhen’s Thizlinux insitutes are studying system development and application software development technology upgrading Linux application software and forming it into a cross-platform application software. New curriculum was formulated in the first quarter of 2005 and will be launched in the second quarter. The Group strongly believe that the first step of popularizing Linux is to focus on Linux professionals training. Only with the help of a great number of Linux software development engineers could lead Linux be applied in a widen horizon. Moreover, only with persistent attitude could allow the Group gathering Linux professionals from different parts of the country. Missions aforesaid could attract talented students to work with the Group and maintain our pivotal position in Linux software technology. Ultimately, Linux software would be applied in various fields and would generate fruitful rewards for the Group.

Prospect

The Group formulated new curriculum for training new “Thizlinux IT Professionals”. Due to the shortage of Linux professionals, Linux software engineers nurtured by the Group became so sought-after and were employed by different software companies with attractive remuneration. This is a solid proof of the Group’s successful vocational training which is widely recognised among various sectors. The vocational training included four levels of professionals: network engineer, software engineer, system engineer and embedded development engineer. The Group will extend training course promotion and expand licensed training centres and admission centres during the second half of 2005. Besides nationwide promoting training of the above professionals in the PRC, the Group will also start a distance learning university in order to popularize education and fundamental education. We are preparing TV teaching and distributing Linux training materials to bookstores. The Group believes that more people who

learn ThizLinux, the more popular ThizLinux will be. We have to start off with training and then, gain reputation through education so that the Group's products can be promoted to various business. As a result, training business is the engine of the Group. With growing reputation, the sales channel of the Group's products can be widen. Thus, training business is the shortcut to establish reputation and popularity. The Group does not settle for being the Top Brand of Linux software engineer certificate training, it would work harder in popularize Linux education. The Group will also interchange TV teaching and distance learning university with tertiary institutional courses so that the purpose of when people want to learn Linux, they will look for Thizlinux can be achieved.

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

As at 30th June, 2005, 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 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 transaction 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") (Note)	Other	449,700,000	14.69%
Ms. Wanzi Huang	Personal	129,688,500	4.24%

Note: These 449,700,000 shares are registered in name of 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. As at 30th June, 2005, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of SFO, Mr. Albert Wong has interest of such shares.

Long Positions in Underlying Shares of Equity Derivatives of the Company

The Company adopted the Share Option Scheme (the “Old 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 “New 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 Old Scheme was terminated.

Name of Director	Type of interest	Date of grant	Exercise price per share <i>HK\$</i>	Exercisable period	Number of ordinary shares eligible for subscription under options granted and outstanding as at 30th June, 2005
Mr. Wong Hoi Wong (“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 Old and New Schemes during the three months ended 30th June, 2005.

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

Save as disclosed herein, as at 30th June, 2005, 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, 2005, 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, 2005, 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 shares held	Percentage of shareholding
Eaglemax International Investment Limited (Note)	Corporate	449,700,000	14.69%
Richagain International Limited	Corporate	389,656,923	11.26%
Applied Component Technology Corporation	Corporate	324,340,000	10.59%

Note: These 449,700,000 shares are registered in name of 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. As at 30th June, 2005, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of SFO, Mr. Albert Wong has interest of such shares. The shares held in the name of Eaglemax International Investment Limited are duplication of the shares held by the director, Mr. Albert Wong.

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, 2005, 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, 2005.

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, 2005.

AUDIT COMMITTEE

The Company has established an audit committee since 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 three months ended 30th June, 2005 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, 12th August, 2005