



Thiz
Technology Group Limited*

即時科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)



3rd Quarterly Report

2005/06

商界展關懷

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* For identification purpose only

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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\$6,477,000 for the nine months ended 31 December 2005.
- Loss attributable to shareholders was approximately HK\$18,003,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the nine months ended 31 December 2005.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31 December 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 31 December		For the nine months ended 31 December	
		2005	2004	2005	2004
		(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)	(Unaudited) HK\$'000	(Unaudited) HK\$'000 (Restated)
Turnover	2	2,356	4,986	6,477	16,545
Cost of sales		(1,206)	(3,623)	(4,015)	(8,586)
Gross profit		1,150	1,363	2,462	7,959
Other revenues	2	7	65	307	411
Selling and distribution expenses		(1,422)	(1,327)	(2,893)	(4,169)
General and administrative expenses		(6,575)	(5,500)	(17,121)	(14,034)
Loss from operations		(6,840)	(5,399)	(17,245)	(9,833)
Finance costs	3	(437)	(90)	(905)	(241)
Loss before tax	3	(7,277)	(5,489)	(18,150)	(10,074)
Tax	4	—	—	—	—
Loss for the period		(7,277)	(5,489)	(18,150)	(10,074)
Attributable to:					
Shareholders of the Company		(7,277)	(5,373)	(18,003)	(9,864)
Minority interests		—	(116)	(147)	(210)
		(7,277)	(5,489)	(18,150)	(10,074)
Loss per share					
– Basic (in cents)	5	(2.38)	(2.50)	(5.88)	(4.70)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to shareholders of the Company									
	Ordinary shares HK\$'000 (Note 1)	Preference shares HK\$'000 (Note 1 & 2)	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
As at 1 April 2004	20,411	–	22,006	84	360	15	(17,447)	25,429	–	25,429
Rights issue	10,206	–	3,061	–	–	–	–	13,267	–	13,267
Rights issue expenses	–	–	(796)	–	–	–	–	(796)	–	(796)
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(78)	–	(78)	–	(78)
Capital contribution of minority interests	–	–	–	–	–	–	–	–	377	377
Loss attributable to shareholders	–	–	–	–	–	–	(9,864)	(9,864)	(210)	(10,074)
As at 31 December 2004	<u>30,617</u>	<u>–</u>	<u>24,271</u>	<u>84</u>	<u>360</u>	<u>(63)</u>	<u>(27,311)</u>	<u>27,958</u>	<u>167</u>	<u>28,125</u>
As at 1 April 2005	30,617	–	24,271	84	360	(213)	(40,042)	15,077	147	15,224
Issued non-voting convertible preference shares	–	34,000	1,200	–	–	–	–	35,200	–	35,200
Issued non-voting convertible preference shares expenses	–	–	(723)	–	–	–	–	(723)	–	(723)
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(305)	–	(305)	–	(305)
Loss attributable to shareholders	–	–	–	–	–	–	(18,003)	(18,003)	(147)	(18,150)
As at 31 December 2005	<u>30,617</u>	<u>34,000</u>	<u>24,748</u>	<u>84</u>	<u>360</u>	<u>(518)</u>	<u>(58,045)</u>	<u>31,246</u>	<u>–</u>	<u>31,246</u>

Note 1: On 3 October 2005, the share consolidation effective to consolidate every 10 ordinary shares of HK\$0.01 each in the issued and unissued share capital of the Company into 1 ordinary share of HK\$0.10 and to consolidate every 10 non-voting convertible preference shares of HK\$0.01 each in the issued and unissued share capital of the Company into 1 non-voting convertible preference share of HK\$0.10.

Note 2: On 9 December 2005, a total of 300,000,000 non-voting convertible preference shares at the placing price of HK\$0.10 per placing share was placed out. The total amount of net proceeds from the non-voting convertible preference shares placing was approximately HK\$29.5 million.

Notes to the Accounts:

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 nine months ended 31 December 2005 are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 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 1 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 7 November 2002, the provision of HKFRS 2 is not applicable to the Group's outstanding options.

2. Turnover and other revenues

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

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover:–				
Distribution of Group's Linux based software and hardware products	762	1,640	1,327	4,760
Sale of computer products	706	2,522	3,163	6,527
Training income	888	824	1,987	5,258
	<u>2,356</u>	<u>4,986</u>	<u>6,477</u>	<u>16,545</u>
	– – – –	– – – –	– – – –	– – – –
Other revenues:–				
Interest income	1	1	4	4
Sundry income	6	64	303	407
	<u>7</u>	<u>65</u>	<u>307</u>	<u>411</u>
	– – – –	– – – –	– – – –	– – – –
	<u><u>2,363</u></u>	<u><u>5,051</u></u>	<u><u>6,784</u></u>	<u><u>16,956</u></u>

3. Loss before tax

	For the three months ended 31 December		For the nine months ended 31 December	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax is arrived at after charging/(crediting):				
Cost of inventories sold	1,206	3,623	4,015	8,586
Amortisation of product development costs	1,096	384	2,557	942
Depreciation	149	308	480	656
Finance costs				
– Interest on unlisted convertible notes	103	88	278	238
– Interest on other payables	334	–	627	–
	437	88	905	238
Interest income	(1)	(1)	(4)	(4)

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 nine month ended 31 December 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 nine month ended 31 December 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 nine months ended 31 December 2005 is based on the loss attributable to shareholders of HK\$18,003,000 (2004: HK\$9,864,000) and the weighted average of 306,167,160 (2004: 306,167,160 (Restated)) 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 nine months ended 31 December 2005 (2004: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the nine months ended 31 December 2005, the Group's consolidated turnover amounted to HK\$6,477,000 (2004: HK\$16,545,000). During the period under review, loss from operations for the period was HK\$17,245,000, compared to HK\$9,833,000 in the corresponding period last year. Further, loss attributable to shareholders for the period was HK\$18,003,000 while the corresponding period last year was HK\$9,864,000. During the period, the provision for doubtful debts of HK\$23,923,000 (2004: HK\$22,378,000) had been made for the outstanding trade debtors. The Group has been taking aggressive litigation procedures to collect outstanding settlements.

The satisfactory result of the various training programme in China market which has been already established its clients base. Moreover, the Group proved the foreseeable market growth in China and willing to invest substantial resources in sales and marketing in view of penetrating strategy for potential market increment.

Business Review

Since the “Thizlinux IT Professional Training Programme” was launched by the Group in August 2005, it has earned much acclaim. Within a short period of five months from August to December, the number of training centers has increased rapidly from one at the very beginning to 12, and the number of students enrolled exceeding 150. The Group and its management has been granted the following awards respectively in 2005:

- (1) Mr. Wong Hoi Wong, Chairman of the Group, was awarded the medal of “2005 Open Source Leading Persons” by China Center of Information Industry Development (CCID).
- (2) The Group was acclaimed as an “Excellent Member” by the Association of Foreign Investment Enterprises, Zhongguancun, Beijing.
- (3) The Training Affairs Department of the Group was awarded 2005 “Best Linux Training Programme Award” by the magazine “Open System World”(開放系統世界) .
- (4) The Training Affairs Department of the Group was awarded “The Most Creative Brand Education” of the IT Training Organizations category at the first competition for the Education Brands Trusted by the Media. The award was granted jointly by The Beijing News with the Top ten leading media of China.
- (5) The Training Affairs Department of the Group was awarded the title of “IT Career Education Institution with Public Satisfaction” at the “Annual Evaluation Event of Education Brand with Beijing Public Satisfaction 2005” jointly organized by Beijing Youth Daily and Beijing Youth Media Corporation Limited. Ms. Summer Cui, general manager of the Training Affairs Department received the award of “Leading Person of Beijing IT Career Education Branded Institution 2005”.

Given the above various achievements, we not only understand the value perceived with and the high expectation for the “Thizlinux IT Professional Training Programme”, but also feel the pressure for making further progress. Although the revenue for the business in 2005 is insignificant, the Group remains focused and believes that our endeavor and determination shall pay off in future.

Prospects

Though December of each year is generally low season for teaching centres to sign up students, we still managed to achieve remarkable success in enrolling students and opening classes at each of our centres. We can ascertain that peak season will start in March 2006, our anticipation of opening classes and enrolling more than 180 students each month should be fulfilled. Furthermore, in the coming year, we target to expand our network of licensed centres and set up directly operated centres. More classes can be regularly opened each month by then. In the PRC, the demand for graduates from the “Thizlinux IT Professionals Training Programme” far exceeds the supply we can provide. While the existing business will expand and develop rapidly in the future, we will be able to deliver satisfactory results.

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

As at 31 December 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 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\$0.1 of the Company

Name of Directors	Type of interest	Total number of shares held	Percentage of shareholding
Mr. Lin Chien Hsin	Personal	52,950,000	17.3%
Mr. Wong Hoi Wong (“Mr. Albert Wong”) (Note)	Other	44,970,000	14.7%

Note: These 44,970,000 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 31 December 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 a share option scheme (the “2001 Scheme”) on 6 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 5 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 Directors	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
					31 December 2005
Mr. Wong Hoi Wong	Personal	21 November 2001	2.66	30 June 2002 to 29 June 2012	194,211

On 1 October 2005, Ms. Wanzi Huang resigned as an executive director who holder of the share options eligible for subscription under options granted and outstanding of the 2001 Scheme and the 2004 Scheme were automatically lapsed pursuant to the terms and conditions of the Share Option Scheme.

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the nine months ended 31 December 2005.

Adjustments in relation to the Share Options

The effective date of the Share Consolidation and the commencement of dealings of the Ordinary Shares will be on 3 October 2005. Pursuant to Rule 23.03(13) of the GEM Listing Rules, a provision for adjustment of the exercise price of the number of securities subject to options already granted and to the scheme in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital has to be made. Upon completion of the Share Consolidation, the exercise price and the number of Share Options have been adjusted as follows:

Exercise period	Original exercise price per Share (HK\$)	Original number of Share Options	Adjusted exercise price per Share upon completion of the Share Consolidation (HK\$)	Adjusted number of Share Options upon completion of Share Consolidation
30 June 2002 to 29 June 2012	0.266	1,942,105	2.66	194,211

Note 1: The exercise price of shares and the number of shares issuable under the Share Option Scheme are changed from HK\$0.266 per share to HK\$2.66 per share and from 1,942,105 to 194,211 respectively.

Holders of the Share Options should note that the exercise price and the number of Share Options have been adjusted in accordance with the terms of the Company's newly share option scheme adopted on 5 Aug 2004 and the auditors of the Company that the adjustments are made pursuant to the terms and conditions of the Share Option Scheme.

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

Save as disclosed herein, as at 31 December 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 31 December 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 31 December 2005, 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 shareholders	Ordinary shares	Preference shares	Percentage of holding of the ordinary shares	Percentage of holding of the preference shares
Eaglemax International Investment Limited (<i>Note 1</i>)	44,970,000	—	14.7%	—
United Fu Shen Chen Technology Corporation (<i>Note 2</i>)	32,434,000	—	10.6%	—
Richagain International Limited	6,658,000	32,307,692	2.2%	33.0%
Maxbase Holdings Limited	—	111,500,000	—	32.8%
Extra Bright Trading Limited	—	95,000,000	—	27.9%

Note 1: These 44,970,000 ordinary shares are registered in the 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 31 December 2005, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of the SFO, Mr. Albert Wong is deemed to have interest in 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.

Note 2: Formerly known as Applied Component Technology Corporation.

Save as disclosed above, as at 31 December 2005, 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 nine months ended 31 December 2005 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' INTERESTS

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 31 December 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.

RESIGNATION AND APPOINTMENT OF DIRECTORS

On 1 October 2005, Ms. Wanzi Huang resigned as an executive director of the Company for personal reasons. On the same day, Mr. Yuan Luke Tsu was appointed as an executive director, Ms. Hsieh Yi Chen and Ms. Wu Chiao Ru were also appointed as non-executive directors of the Company.

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 nine months ended 31 December 2005.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Ms. Li Zhe, Mr. Ko Ming Tung, Edward and Mr. Chu Wei Jen. The Audit Committee is chaired by Mr. Ko Ming Tung, Edward. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control of the Company. The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 31 December 2005 and has provided advice and comment thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is in the process of reviewing its corporate governance practices and will report in its 2005/06 Annual Report on the compliance of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code for securities transactions by the Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirmed that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the nine months ended 31 December 2005.

By Order of the Board
Lin Chien Hsin
Chairman

Hong Kong, 14 February 2006

As at the date hereof, the board of directors of the Company comprises three executive directors, namely Mr. Lin Chien Hsin, Mr. Wong Hoi Wong and Mr. Yuan Luke Tsu, two non-executive directors, namely Ms. Hsieh Yi Chen and Ms. Wu Chiao Ru and three independent non-executive directors, namely Ms. Li Zhe, Mr. Ko Ming Tung, Edward and Mr. Chu Wei Jen.