



Thiz

Technology Group Limited

即時科研集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8119)

First Quarterly Report

2006-2007

ThizLinux



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 (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\$4,188,000 for the three months ended 30 June 2006.
- Loss attributable to shareholders was approximately HK\$5,274,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the three months ended 30 June 2006.

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 30 June 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30 June	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Turnover	2	4,188	2,160
Cost of sales		(1,073)	(1,705)
Gross profit		3,115	455
Other revenue	2	3	247
Selling and distribution expenses		(2,125)	(624)
General and administrative expenses		(4,895)	(5,095)
Loss from operations		(3,902)	(5,017)
Finance costs	3	(1,372)	(268)
Loss before tax		(5,274)	(5,285)
Tax	4	—	—
Loss for the period		<u>(5,274)</u>	<u>(5,285)</u>
Attributable to:			
Equity holders of the Company		(5,274)	(5,144)
Minority interests		—	(141)
		<u>(5,274)</u>	<u>(5,285)</u>
Loss per share	5		
– Basic (in cents)		<u>1.72</u>	<u>2.22</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Trans- lation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Attributable to equity holders of the Company <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
					(note 25(i))					
Balance at 1 April 2005										
– as originally stated	30,617	24,271	84	–	360	(213)	(40,042)	15,077	147	15,224
– effects of changes in accounting policies (note 1)	–	–	–	1,692	–	–	(736)	956	–	956
– as restated	30,617	24,271	84	1,692	360	(213)	(40,778)	16,033	147	16,180
Issue of convertible preference shares	–	–	–	789	–	–	–	789	–	789
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(84)	–	(84)	–	(84)
Loss for the period (restated)	–	–	–	–	–	–	(5,144)	(5,144)	(141)	(5,285)
Balance at 30 June 2005 (restated)	30,617	24,271	84	2,481	360	(297)	(45,922)	11,594	6	11,600
Balance at 1 April 2006	30,617	23,521	84	9,547	360	(551)	(71,994)	(8,416)	–	(8,416)
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(54)	–	(54)	–	(54)
Loss for the period	–	–	–	–	–	–	(5,274)	(5,274)	–	(5,274)
Balance at 30 June 2006	30,617	23,521	84	9,547	360	(605)	(77,268)	(13,744)	–	(13,744)

1. Basis of preparation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (Cap.22 Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 December 2000. The Group engages in an information technology industry, in which, it is a developer and provider of a range of Linux solutions including Linux operating systems, application systems run on Linux and related services such as software installation, training and education, operates under the brandname of ThizLinux.

The unaudited consolidated results of the Group have been prepared in accordance with the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have also been prepared under the historical convention.

The details of adoption of new and revised HKFRSs effective for accounting period beginning on or after 1 January 2005 have been set out in the Company’s annual report for the year ended 31 March 2006.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2006.

The Group has not early adopted any new standards or interpretations that have been issued but are not yet effective.

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 30 June	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Distribution of Group's Linux based software and hardware products	298	325
Sales of computer products	918	1,445
Training income	2,972	390
	4,188	2,160
Other revenue:		
Interest income	3	1
Sundry income	—	246
	3	247
	4,191	2,407

3. Finance costs

	For the three months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (restated)
Interest on convertible notes	377	236
Interest on convertible preference shares	684	32
Other finance costs	311	—
	1,372	268

4. Tax

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period, taxation for other jurisdictions is calculated on the rates prevailing in the relevant jurisdiction. No provision for taxation has been made on the Group incurred a taxation loss for the period.

During the three month ended 30 June 2006, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profit that are expected to arise to offset against the deducted temporary differences.

5. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2006 is based on the loss attributable to equity holders of the Company of HK\$5,274,000 (2005: HK\$5,144,000 (restated)) and the weighted average of 306,167,160 (2005: 231,716,676 (restated)) ordinary shares in issue during the period. The number of ordinary shares for the three months ended 30 June 2005 previously disclosed has been adjusted for the share consolidation on 30 September 2005.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months ended 30 June 2006, the Group's consolidated turnover amounted to HK\$4,188,000 (2005: HK\$2,160,000). During the period under review, loss from operations of the Group amounted to HK\$3,902,000, compared to HK\$5,017,000 in the corresponding period last year. Further, loss attributable to equity holders of the Company for the period was HK\$5,274,000 while the corresponding period last year was HK\$5,144,000 (restated).

Business Review

It has been nearly a year since the Group introduced the “Thizlinux IT Professionals Training Programme” on 1 August 2005. During the period from April to June 2006, the Group’s efforts in the setting up of authorised franchised training centres has started to bare fruit. Apart from the nine existing training centres in Shenzhen, Guangzhou, Shanghai, Beijing, Xian, Dalian, Changchun, Harbin and Qingdao, new centres have also been opened in Shijiazhuang, Zhengzhou, Tianjin, Wuhan, Changsha, Chengdu, Hangzhou, Suzhou, Hefei and Fuzhou. By the end of the first quarter of 2006, the training network of the Group has expanded to cover 19 significant regions throughout the country, including primary and secondary cities such as provincial capitals, municipalities and special administrative regions. The network expansion is essential for training development. The Group has been striving to build up a “Whampoa Military Academy” for Linux in the PRC, and to promote the Linux training into every part of the country. Building up a complete training network is more like developing a complete Linux professionals network, through this we can promote a Linux operating system for everybody by pervasive education of the academy and the improvement of courses, in order to popularize the system and its application.

There was significant improvement in the marketing of LINUX products as operating systems. Certain well-known computer manufacturers, such as Tsinghua Tongfang, Haier and BENQ sold THIZ’s operating system as a bundle. There are still several computer manufacturers being actively induced to test the system.

Dalian Research Institute and Kunshan Research Institute have equipped the capability to undertake comprehensive software outsourcing. A majority of their employees are the outstanding students who have completed the training by the Group. They are highly competitive in terms of contracting capability and cost structure.

Prospect

The curriculum of the Group’s “Embedded Software Engineer” developed in the first quarter of the year has substantially finished, and the programme will be formally launched in July 2006. This will form a crucial part of building up the “Whampoa Military Academy” for Linux, hence we think it is appropriate to name this project as our “knock-out product”. Given the embedded training curriculum, the Group will foster more new business opportunities by providing hardware manufacturers with embedded software for household appliances. The Linux system as a secured, delineated and customized operating system it will surely be the preferred embedded operating system in the future. Through our formal training of embedded software engineers, the Thiz Technology Group is bound to nurture more talented individuals for the society and the enterprise. In addition, the Group will continue to launch more diversified training products, in an attempt to create the concept of “Enjoy Linux Live”.

Under the stated policy of pre-installing the ex-factory computer products with licensed software, the Company's products, such as LINUX operating system, office software and server software are much benefited from the external factors. The Company is now actively expanding the market so as to obtain the market share. The long-term growth of the bundle sales business will contribute positively to the results of 2006.

In 2006, the company will transform Dalian Research Institute and Kunshan Research Institute into software contracting workshops, and will increase its investment to these institutes so as to obtain the international certification on software outsourcing. At present, several products are in negotiations . Owing to the fact that these research institutes have transformed the results from their research into software workshop, these institutes have transformed themselves from cost centre into profit centre. This will provide contributions to the results in 2006 .

To sum up, with respect to the cross-discipline support on training, LINUX product bundle sales and software workshop, the Company's development in this supply chain has become mature. The results in 2006 will be significantly improved from that in the previous year.

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

As at 30 June 2006, 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 30 June 2006, 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 HK\$	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

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the three months ended 30 June 2006.

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

Save as disclosed herein, as at 30 June 2006, 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 30 June 2006, 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 30 June 2006, 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	112,307,692	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 30 June 2006, 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 30 June 2006, 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 30 June 2006 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 30 June 2006, 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 30 June 2006.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Ms. Li Zhe, Mr. Chu Meng Chi and Mr. Chu Wei Jen. The Audit Committee is chaired by Mr. Chu Meng Chi. 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 three months ended 30 June 2006 and has provided advice and comment thereon.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the requirements of the code provisions as set out in the Code on Corporate Governance Practices contained 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 three months ended 30 June 2006.

By Order of the Board
Lin Chien Hsin
Chairman

Hong Kong, 14 August 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. Chu Meng Chi and Mr. Chu Wei Jen.