



**Thiz**

**Technology Group Limited**

**即時科研集團有限公司**

(於開曼群島註冊成立之有限公司)

(股份代號：8119)

Interim Report

**2006-2007**

**ThizLinux**



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## SUMMARY

- The Group recorded a turnover of approximately HK\$10,717,000 for the six months ended 30 September 2006.
- Loss attributable to shareholders was approximately HK\$7,899,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30 September 2006.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results (“interim accounts”) of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

|                                     | <i>Notes</i> | <b>For the three months<br/>ended 30 September</b> |                 | <b>For the six months<br/>ended 30 September</b> |                 |
|-------------------------------------|--------------|----------------------------------------------------|-----------------|--------------------------------------------------|-----------------|
|                                     |              | <b>2006</b>                                        | <b>2005</b>     | <b>2006</b>                                      | <b>2005</b>     |
|                                     |              | <b>HK\$'000</b>                                    | <b>HK\$'000</b> | <b>HK\$'000</b>                                  | <b>HK\$'000</b> |
|                                     |              |                                                    | (restated)      |                                                  | (restated)      |
| Turnover                            | 2            | <b>6,529</b>                                       | 1,961           | <b>10,717</b>                                    | 4,121           |
| Cost of sales                       |              | <b>(1,172)</b>                                     | (1,104)         | <b>(2,245)</b>                                   | (2,809)         |
| Gross profit                        |              | <b>5,357</b>                                       | 857             | <b>8,472</b>                                     | 1,312           |
| Other revenues                      | 2            | <b>52</b>                                          | 53              | <b>55</b>                                        | 300             |
| Selling and distribution expenses   |              | <b>(1,152)</b>                                     | (847)           | <b>(3,277)</b>                                   | (1,471)         |
| General and administrative expenses |              | <b>(5,527)</b>                                     | (5,451)         | <b>(10,422)</b>                                  | (10,546)        |
| Loss from operations                |              | <b>(1,270)</b>                                     | (5,388)         | <b>(5,172)</b>                                   | (10,405)        |
| Finance costs                       | 3            | <b>(1,355)</b>                                     | (534)           | <b>(2,727)</b>                                   | (802)           |
| Loss before tax                     | 3            | <b>(2,625)</b>                                     | (5,922)         | <b>(7,899)</b>                                   | (11,207)        |
| Tax                                 | 4            | —                                                  | —               | —                                                | —               |
| Loss for the period                 |              | <b>(2,625)</b>                                     | (5,922)         | <b>(7,899)</b>                                   | (11,207)        |
| Attributable to:                    |              |                                                    |                 |                                                  |                 |
| Equity holders of the Company       |              | <b>(2,625)</b>                                     | (5,916)         | <b>(7,899)</b>                                   | (11,060)        |
| Minority interests                  |              | —                                                  | (6)             | —                                                | (147)           |
|                                     |              | <b>(2,625)</b>                                     | (5,922)         | <b>(7,899)</b>                                   | (11,207)        |
| Loss per share                      |              |                                                    |                 |                                                  |                 |
| – Basic (in cents)                  | 5            | <b>(0.86)</b>                                      | (1.93)          | <b>(2.58)</b>                                    | (3.61)          |

## CONDENSED CONSOLIDATED BALANCE SHEET

|                                                      |              | At<br>30 September<br>2006<br>(Unaudited)<br>HK\$'000 | At<br>31 March<br>2006<br>(Audited)<br>HK\$'000 |
|------------------------------------------------------|--------------|-------------------------------------------------------|-------------------------------------------------|
|                                                      | <i>Notes</i> |                                                       |                                                 |
| NON-CURRENT ASSETS                                   |              |                                                       |                                                 |
| Fixed assets                                         |              | 3,249                                                 | 2,855                                           |
| Product development costs                            |              | 30,105                                                | 22,596                                          |
|                                                      |              | <u>33,354</u>                                         | <u>25,451</u>                                   |
| CURRENT ASSETS                                       |              |                                                       |                                                 |
| Inventories                                          |              | 2,556                                                 | 2,599                                           |
| Trade receivables                                    | 6            | 28,621                                                | 25,556                                          |
| Other receivables, deposits and prepayments          |              | 5,828                                                 | 4,741                                           |
| Cash and bank balances                               |              | 554                                                   | 10,338                                          |
|                                                      |              | <u>37,559</u>                                         | <u>43,234</u>                                   |
| CURRENT LIABILITIES                                  |              |                                                       |                                                 |
| Trade payables                                       | 7            | 196                                                   | 920                                             |
| Other payables, accruals and deposits received       |              | 23,730                                                | 16,762                                          |
| Amounts due to directors                             | 8            | 6,671                                                 | 4,309                                           |
| Amount due to a spouse of a director                 | 8            | 2,070                                                 | 1,840                                           |
| Tax payable                                          |              | 5,432                                                 | 5,658                                           |
|                                                      |              | <u>38,099</u>                                         | <u>29,489</u>                                   |
| NET CURRENT (LIABILITIES)/ASSETS                     |              | <u>(540)</u>                                          | <u>13,745</u>                                   |
| TOTAL ASSETS LESS CURRENT LIABILITIES                |              | <u>32,814</u>                                         | <u>39,196</u>                                   |
| CAPITAL AND RESERVES                                 |              |                                                       |                                                 |
| Share Capital                                        |              | 30,617                                                | 30,617                                          |
| Reserves                                             |              | (47,194)                                              | (39,033)                                        |
| Equity attributable to equity holders of the Company |              | (16,577)                                              | (8,416)                                         |
| Minority interest                                    |              | –                                                     | –                                               |
| Total equity                                         |              | <u>(16,577)</u>                                       | <u>(8,416)</u>                                  |
| NON-CURRENT LIABILITIES                              |              |                                                       |                                                 |
| Convertible notes                                    |              | 18,347                                                | 17,957                                          |
| Convertible preference shares                        |              | 31,044                                                | 29,655                                          |
|                                                      |              | <u>49,391</u>                                         | <u>47,612</u>                                   |
|                                                      |              | <u>32,814</u>                                         | <u>39,196</u>                                   |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|                                                        | For the six months ended |                     |
|--------------------------------------------------------|--------------------------|---------------------|
|                                                        | 30 September             |                     |
|                                                        | 2006                     | 2005                |
|                                                        | (Unaudited)              | (Unaudited)         |
|                                                        | HK\$'000                 | HK\$'000            |
| Net cash used in operating activities                  | (2,051)                  | (566)               |
| Net cash used in investing activities                  | (9,371)                  | (3,244)             |
| Net cash generated from financing activities           | <u>1,638</u>             | <u>1,376</u>        |
| Net decrease in cash and cash equivalents              | (9,784)                  | (2,434)             |
| Cash and cash equivalents as at 1 April                | <u>10,338</u>            | <u>3,657</u>        |
| Cash and cash equivalents as at 30 September           | <u><u>554</u></u>        | <u><u>1,223</u></u> |
| Analysis of the balances of cash and cash equivalents: |                          |                     |
| Cash and bank balances                                 | <u><u>554</u></u>        | <u><u>1,223</u></u> |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

|                                                                                                 | Share<br>Capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Capital<br>redemption<br>reserve<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Attributable<br>to equity<br>holders<br>of the<br>Company<br><i>HK\$'000</i> | Minority<br>interest<br><i>HK\$'000</i> | Total<br><i>HK\$'000</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<br>policies                                                             | –                                   | –                                   | –                                                   | 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<br>shares                                                       | –                                   | –                                   | –                                                   | 789                                   | –                                     | –                                         | –                                        | 789                                                                          | –                                       | 789                      |
| Exchange adjustment on<br>translation of the financial<br>statements of foreign<br>subsidiaries | –                                   | –                                   | –                                                   | –                                     | –                                     | (192)                                     | –                                        | (192)                                                                        | –                                       | (192)                    |
| Loss for the period (restated)                                                                  | –                                   | –                                   | –                                                   | –                                     | –                                     | –                                         | (11,060)                                 | (11,060)                                                                     | (147)                                   | (11,207)                 |
| Balance at 30 September 2005<br>(restated)                                                      | 30,617                              | 24,271                              | 84                                                  | 2,481                                 | 360                                   | (405)                                     | (51,838)                                 | 5,570                                                                        | –                                       | 5,570                    |
| Balance at 1 April 2006                                                                         | 30,617                              | 23,521                              | 84                                                  | 9,547                                 | 360                                   | (551)                                     | (71,994)                                 | (8,416)                                                                      | –                                       | (8,416)                  |
| Exchange adjustment on<br>translation of the<br>financial statements of<br>foreign subsidiaries | –                                   | –                                   | –                                                   | –                                     | –                                     | (262)                                     | –                                        | (262)                                                                        | –                                       | (262)                    |
| Loss for the period                                                                             | –                                   | –                                   | –                                                   | –                                     | –                                     | –                                         | (7,899)                                  | (7,899)                                                                      | –                                       | (7,899)                  |
| Balance at 30 September 2006                                                                    | 30,617                              | 23,521                              | 84                                                  | 9,547                                 | 360                                   | (813)                                     | (79,893)                                 | (16,577)                                                                     | –                                       | (16,577)                 |

## **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 (“HKFRS”) 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. The interim accounts have been prepared in accordance with HKAS 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 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<br>30 September |                                 | For the six months ended<br>30 September |                                 |
|--------------------------------------------------------------------------|--------------------------------------------|---------------------------------|------------------------------------------|---------------------------------|
|                                                                          | 2006<br>(Unaudited)<br>HK\$'000            | 2005<br>(Unaudited)<br>HK\$'000 | 2006<br>(Unaudited)<br>HK\$'000          | 2005<br>(Unaudited)<br>HK\$'000 |
| Turnover:–                                                               |                                            |                                 |                                          |                                 |
| Distribution of Group's<br>Linux based software and<br>hardware products | 91                                         | 240                             | 265                                      | 565                             |
| Sale of computer products                                                | 1,010                                      | 1,012                           | 2,052                                    | 2,457                           |
| Training income                                                          | 5,428                                      | 709                             | 8,400                                    | 1,099                           |
|                                                                          | <u>6,529</u>                               | <u>1,961</u>                    | <u>10,717</u>                            | <u>4,121</u>                    |
|                                                                          | -----                                      | -----                           | -----                                    | -----                           |
| Other revenues:–                                                         |                                            |                                 |                                          |                                 |
| Interest income                                                          | 2                                          | 1                               | 5                                        | 2                               |
| Sundry income                                                            | 50                                         | 52                              | 50                                       | 298                             |
|                                                                          | <u>52</u>                                  | <u>53</u>                       | <u>55</u>                                | <u>300</u>                      |
|                                                                          | -----                                      | -----                           | -----                                    | -----                           |
|                                                                          | <u><u>6,581</u></u>                        | <u><u>2,014</u></u>             | <u><u>10,772</u></u>                     | <u><u>4,421</u></u>             |



### 3. Loss before tax (Unaudited)

|                                               | For the three months ended<br>30 September |                 | For the six months ended<br>30 September |                 |
|-----------------------------------------------|--------------------------------------------|-----------------|------------------------------------------|-----------------|
|                                               | 2006                                       | 2005            | 2006                                     | 2005            |
|                                               | <i>HK\$'000</i>                            | <i>HK\$'000</i> | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
|                                               |                                            | (restated)      |                                          | (restated)      |
| Loss before tax is arrived at after charging: |                                            |                 |                                          |                 |
| Cost of inventories sold                      | 1,172                                      | 1,104           | 2,245                                    | 2,809           |
| Amortisation of product development costs     | 522                                        | 734             | 1,124                                    | 1,461           |
| Depreciation                                  | 178                                        | 160             | 344                                      | 331             |
| Finance costs                                 |                                            |                 |                                          |                 |
| – Interest on convertible preference shares   | 705                                        | 87              | 1,389                                    | 119             |
| – Interest on convertible notes               | 262                                        | 154             | 639                                      | 390             |
| – Other finance costs                         | 388                                        | 293             | 699                                      | 293             |
|                                               | <u>1,355</u>                               | <u>534</u>      | <u>2,727</u>                             | <u>802</u>      |

### 4. Tax

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

During the six months ended 30 September 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 six months ended 30 September 2006 is based on the loss attributable to equity holders of HK\$7,899,000 (2005: HK\$11,060,000 (restated)) and the weighted average of 306,167,160 (2005: 306,167,160 (after share consolidation)) ordinary shares in issue during the period.

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

## 6. Trade receivables

The Group's trading terms with its customers are mainly on a cash-on-delivery basis, except for major customers, where an average credit period of 30 days to 60 days is normally given.

The following is an aged analysis of trade receivables (net of impairment losses) at the reporting date:–

|                | <b>30 September 2006</b><br><b>(Unaudited)</b><br><b>HK\$'000</b> | <b>31 March 2006</b><br><b>(Audited)</b><br><b>HK\$'000</b> |
|----------------|-------------------------------------------------------------------|-------------------------------------------------------------|
| 0 – 30 days    | <b>756</b>                                                        | –                                                           |
| 31 – 60 days   | <b>1,568</b>                                                      | 9                                                           |
| 61 – 90 days   | <b>790</b>                                                        | –                                                           |
| 91 – 180 days  | –                                                                 | 15                                                          |
| 181 – 360 days | <b>24</b>                                                         | 1                                                           |
| Over 360 days  | <b>25,483</b>                                                     | 25,531                                                      |
|                | <b>28,621</b>                                                     | 25,556                                                      |

## 7. Trade payables

The following is an aged analysis of trade payables at the reporting date:–

|                | <b>30 September 2006</b><br><b>(Unaudited)</b><br><b>HK\$'000</b> | <b>31 March 2006</b><br><b>(Audited)</b><br><b>HK\$'000</b> |
|----------------|-------------------------------------------------------------------|-------------------------------------------------------------|
| 0 – 30 days    | <b>47</b>                                                         | 129                                                         |
| 31 – 60 days   | <b>47</b>                                                         | –                                                           |
| 61 – 90 days   | –                                                                 | 9                                                           |
| 91 – 180 days  | –                                                                 | –                                                           |
| 181 – 360 days | <b>93</b>                                                         | 9                                                           |
| Over 360 days  | <b>9</b>                                                          | 773                                                         |
|                | <b>196</b>                                                        | 920                                                         |

## 8. Amounts due to directors and amount due to a spouse of a director

The amounts are interest bearing with Hong Kong prime lending rate per annum, unsecured and repayable on demand, which were effective from 1 July 2005.

## **INTERIM DIVIDEND**

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

## **BUSINESS REVIEW**

On 1 July 2006, the Group formally launched the “Embedded Software Engineer” training programme. This programme is different from other Embedded Software Engineer training programmes offered in the market in that such training programmes in general are usually completed in 5 to 14 days and very expensive, while our programme takes 6 to 7 months so that more comprehensive training can be provided to talented individuals and at affordable price. Therefore, after our programme was launched as a pilot scheme in Dalian in July, it was well received immediately and the number of students enrolled was satisfactory. Following the enrollment from July to September, we were aware of the enhancement in teachers’ training. Owing to the insufficient number of teachers, the Group needs some time to train teachers. Once there are sufficient number of teachers, the “Embedded Software Engineer” programme can be launched in all the training centres within the country. For the Linux software operating system, the Group has been devoting to having its operating systems sold as a bundle at the top ten PC manufacturers in China, such as Tsinghua Tongfang, Haier and Haixin. The result is remarkable and the Group will continue to head for this direction.

## **PROSPECT**

As the Group’s overall training business encompasses different sectors ranging from network engineer, applied software engineer, system software engineer to embedded software engineer, a complete Linux development system has been formed basically. It is also expected that it can develop the concept of “shop in the front with workshop behind” in the training centres within the country by means of the contributions made by the large pool of professionals. With the support from talented individuals, it is believed that it will bare fruit soon and more Linux services and products will be launched for sale in the market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

#### *Financial highlights*

The Group's consolidated turnover for the six months ended 30 September 2006 amounted to approximately HK\$10,717,000 (2005: HK\$4,121,000). During the period under review, loss from operations for the period was HK\$5,172,000, compared to HK\$10,405,000 in the corresponding period of last year. Further, loss attributable to equity holders for the period was HK\$7,899,000 while the corresponding period of last year was HK\$11,060,000 (restated).

In line with the significant increase in turnover, gross profit for the Group increase from HK\$1,312,000 in 2005 to HK\$8,472,000 in 2006, while the gross profit margin from 32% to 79%. The major reason for the increase in gross profitability was due to increase in the training income that had much higher profit margins.

Total operating costs were approximately HK\$13,699,000 (2005: HK\$12,017,000. Compare to last year, the operating costs have decrease by 14%.

Loss attributable to equity holders and loss per share for the period were HK\$7,899,000 (2005: HK\$11,060,000 (restated)) and HK2.58 cents (2005: HK3.61 cents (restated)) respectively.

### Liquidity, financial resources and capital structure

As at 30 September 2006, the Group had current assets amounted to HK\$37,559,000, of which HK\$554,000 were cash and bank deposits. Current liabilities of HK\$38,099,000 mainly comprised of trade payables, other payables, accruals and deposits received, and amounts due to the directors. The current ratio of the Group was approximately 1.0. The Group had net current liabilities of approximately HK\$540,000 as at 30 September 2006. The Directors considered the Group's liquidity position was generally healthy.

Net current assets show a decrease by HK\$14,285,000 at 30 September 2006. The decrease was mainly due to several significant amounts of other payables and amounts due to directors and amount due to a spouse of a director. There was no significant change in provision for tax payable during the period.

## Investments held and material acquisitions and disposals

The Group had no material investments, acquisitions or disposals during the reporting period.

## Segmental information

### (a) Business segments

The following table presents revenue and loss information for the Group's business segments for the six months ended 30 September 2006.

|                               | Software development |                | Computer products |                | Training services |                | Consolidated          |                        |
|-------------------------------|----------------------|----------------|-------------------|----------------|-------------------|----------------|-----------------------|------------------------|
|                               | 2006                 | 2005           | 2006              | 2005           | 2006              | 2005           | 2006                  | 2005                   |
|                               | HK\$'000             | HK\$'000       | HK\$'000          | HK\$'000       | HK\$'000          | HK\$'000       | HK\$'000              | HK\$'000               |
|                               |                      |                |                   |                |                   |                |                       | (restated)             |
| Segment revenue:–             |                      |                |                   |                |                   |                |                       |                        |
| Sales to external customers   | <u>265</u>           | <u>565</u>     | <u>2,052</u>      | <u>2,457</u>   | <u>8,400</u>      | <u>1,099</u>   | <u>10,717</u>         | <u>4,121</u>           |
| Segment results               | <u>(1,707)</u>       | <u>(3,372)</u> | <u>(1,347)</u>    | <u>(1,904)</u> | <u>1,890</u>      | <u>(2,069)</u> | <u>(1,164)</u>        | <u>(7,345)</u>         |
| Interest income               |                      |                |                   |                |                   |                | 5                     | 2                      |
| Unallocated income            |                      |                |                   |                |                   |                | –                     | –                      |
| Unallocated expenses          |                      |                |                   |                |                   |                | <u>(4,013)</u>        | <u>(3,062)</u>         |
| Loss from operations          |                      |                |                   |                |                   |                | <u>(5,172)</u>        | <u>(10,405)</u>        |
| Finance costs                 |                      |                |                   |                |                   |                | <u>(2,727)</u>        | <u>(802)</u>           |
| Loss before tax               |                      |                |                   |                |                   |                | <u>(7,899)</u>        | <u>(11,207)</u>        |
| Tax                           |                      |                |                   |                |                   |                | <u>–</u>              | <u>–</u>               |
| Loss for the period           |                      |                |                   |                |                   |                | <u><u>(7,899)</u></u> | <u><u>(11,207)</u></u> |
| Attributable to:              |                      |                |                   |                |                   |                |                       |                        |
| Equity holders of the Company |                      |                |                   |                |                   |                | <u>(7,899)</u>        | <u>(11,060)</u>        |
| Minority interests            |                      |                |                   |                |                   |                | <u>–</u>              | <u>(147)</u>           |
|                               |                      |                |                   |                |                   |                | <u><u>(7,899)</u></u> | <u><u>(11,207)</u></u> |

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments for the six months ended 30 September 2006.

|                             | Hong Kong  |      | Taiwan |      | PRC   |       | USA  |      | Japan |      | Vietnam |       | Denmark |      | Others |      | Consolidated |       |
|-----------------------------|------------|------|--------|------|-------|-------|------|------|-------|------|---------|-------|---------|------|--------|------|--------------|-------|
|                             | 2006       | 2005 | 2006   | 2005 | 2006  | 2005  | 2006 | 2005 | 2006  | 2005 | 2006    | 2005  | 2006    | 2005 | 2006   | 2005 | 2006         | 2005  |
|                             | (HK\$'000) |      |        |      |       |       |      |      |       |      |         |       |         |      |        |      |              |       |
| Segment revenue:-           |            |      |        |      |       |       |      |      |       |      |         |       |         |      |        |      |              |       |
| Sales to external customers | -          | 42   | 377    | 334  | 8,404 | 1,322 | 294  | 65   | 490   | -    | 397     | 2,033 | 331     | 216  | 424    | 109  | 10,717       | 4,121 |

**Employee information**

As at 30 September 2006, the Group had approximately 270 employees spreading over Hong Kong, PRC and Taiwan.

The staff were remunerated based on their work performance, professional experience and prevailing marketing practices. In addition to the basic salaries and retirement schemes, the Group also offered staff benefits including medical insurance, share options, performance bonus and sales commission.

**Capital commitments and contingent liabilities**

As at 30 September 2006, the Group had no material capital commitments and contingent liabilities.

**Exposure to foreign exchange risk**

Since the functional currencies of the Group's operations are Hong Kong dollars, Renminbi and New Taiwan dollars, the Directors consider that the potential foreign exchange exposure of the Group is limited.

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

As at 30 September 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**

| <b>Name of Directors</b>                                 | <b>Type of interest</b> | <b>Total number of shares held</b> | <b>Percentage of shareholding</b> |
|----------------------------------------------------------|-------------------------|------------------------------------|-----------------------------------|
| Mr. Lin Chien Hsin                                       | Personal                | 52,950,000                         | 17.3%                             |
| Mr. Wong Hoi Wong<br>(“Mr. Albert Wong”) ( <i>Note</i> ) | 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 September 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<br>HK\$ | Exercisable period           | Number of ordinary shares eligible for subscription under options granted and outstanding as at |
|-------------------|------------------|------------------|----------------------------------|------------------------------|-------------------------------------------------------------------------------------------------|
|                   |                  |                  |                                  |                              | 30 September 2006                                                                               |
| 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 six months ended 30 September 2006.

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

Save as disclosed herein, as at 30 September 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 September 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 September 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                  | 32,434,000      | —                 | 10.6%                                        | —                                              |
| Richagain International Limited ( <i>Note 2</i> )           | 6,658,000       | 112,307,692       | 2.2%                                         | 33.0%                                          |
| Maxbase Holdings Limited ( <i>Note 3</i> )                  | —               | 111,500,000       | —                                            | 32.8%                                          |
| Extra Bright Trading Limited ( <i>Note 4</i> )              | —               | 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 September 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:* Richagain International Limited holds 6,658,000 Ordinary Shares, 112,307,692 Preference Shares and convertible notes convertible into 9,090,909 Ordinary Shares. If all its Preference Shares and convertible notes are converted into Ordinary Shares, Richagain International Limited will be interested in 16.71% of the total Ordinary Shares in issue as enlarged by the conversion of all outstanding Preference Shares and convertible notes issued by the Company.

*Note 3:* Maxbase Holdings Limited holds 111,500,000 Preference Shares and convertible notes convertible into 32,727,273 Ordinary Shares. If all its Preference Shares and convertible notes are converted into Ordinary Shares, Maxbase Holdings Limited will be interested in 18.82% of the total Ordinary Shares in issue as enlarged by the conversion of all outstanding Preference Shares and convertible notes issued by the Company.

*Note 4:* Extra Bright Trading Limited holds 95,000,000 Preference Shares and convertible notes convertible into 47,727,273 Ordinary Shares. If all its Preference Shares and convertible notes are converted into Ordinary Shares, Extra Bright Trading Limited will be interested in 18.62% of the total Ordinary Shares in issue as enlarged by the conversion of all outstanding Preference Shares and convertible notes issued by the Company.

Save as disclosed above, as at 30 September 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 six months ended 30 September 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 September 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 six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2006.

By Order of the Board

**Lin Chien Hsin**

*Chairman*

Hong Kong, 13 November 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.*