



**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)

Network  
Engineers

Development  
Of  
Application  
Software

Application  
Solutions

Linux Operating Systems  
Game Embedded

First Quarterly Report 2007/08

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

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*This report, for which the directors of Thiz Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Thiz Technology Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- The Group recorded a turnover of approximately HK\$1,565,000 for the three months ended 30 June 2007.
- Loss attributable to shareholders was approximately HK\$5,439,000.
- The directors of the Company (the “Directors”) do not recommend the payment of dividend for the three months ended 30 June 2007.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 30 June 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	<b>For the three months ended 30 June</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
Turnover	2	<b>1,565</b>	4,188
Cost of sales		<b>(869)</b>	(1,073)
Gross profit		<b>696</b>	3,115
Other revenues	2	<b>67</b>	3
Selling and distribution expenses		<b>(321)</b>	(2,125)
General and administrative expenses		<b>(4,268)</b>	(4,895)
Loss from operations		<b>(3,826)</b>	(3,902)
Finance costs	3	<b>(1,613)</b>	(1,372)
Loss before tax		<b>(5,439)</b>	(5,274)
Tax	4	—	—
Loss for the period		<b>(5,439)</b>	(5,274)
Attributable to:			
Equity holders of the Company		<b>(5,439)</b>	(5,274)
Minority interests		—	—
		<b>(5,439)</b>	(5,274)
Loss per share			
– Basic (in cents)	5	<b>(0.78)</b>	(1.72)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Capital			Attributable to equity holders					
	Share Capital	Share redemption premium	Capital reserve	Special reserve	Translation reserve	Accumulated losses	of the Company	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Balance at 30 June 2006	<u>30,617</u>	<u>23,521</u>	<u>84</u>	<u>9,547</u>	<u>360</u>	<u>(605)</u>	<u>(77,268)</u>	<u>(13,744)</u>	<u>(13,744)</u>
Balance at 1 April 2007	30,617	23,521	84	8,339	360	1,037	(119,254)	(55,296)	(55,183)
Conversion of Shares	39,090	5,593	–	(4,684)	–	–	–	39,999	39,999
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	539	–	539	539
Loss for the period	–	–	–	–	–	–	(5,439)	–	(5,439)
Balance at 30 June 2007	<u>69,707</u>	<u>29,114</u>	<u>84</u>	<u>3,655</u>	<u>360</u>	<u>1,576</u>	<u>(124,693)</u>	<u>(20,197)</u>	<u>(20,084)</u>

**1. General information**

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.

**2. Basis of preparation**

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. 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 2006 have been set out in the Company’s annual report for the year ended 31 March 2007.

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 2007.

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

### 3. 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:–

	<b>For the three months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover:–		
Distribution of Group's Linux based software and hardware products	<b>452</b>	298
Sale of computer products	<b>556</b>	918
Training income	<b>557</b>	2,972
	<b>1,565</b>	4,188
Other revenues:–		
Interest income	<b>2</b>	3
Sundry income	<b>65</b>	–
	<b>67</b>	3
	<b>1,632</b>	4,191

### 4. Finance costs

	<b>For the three months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
– Interest on convertible preference shares	<b>147</b>	377
– Interest on convertible notes	<b>755</b>	684
– Other finance costs	<b>711</b>	311
	<b>1,613</b>	1,372

## **5. Tax**

Hong Kong profits tax is calculated at 17.5% (2006: 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 three months ended 30 June 2007, 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.

## **6. Loss per share**

The calculation of basic loss per share for the three months ended 30 June 2007 is based on the loss attributable to equity holders of HK\$5,439,000 (2006: HK\$5,274,000) and the weighted average of 697,076,250 (2006: 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.

## **DIVIDEND**

The Board does not recommend the payment of dividend for the three months ended 30 June 2007 (2006: Nil).

## **BUSINESS REVIEW**

The Group entered into a contract with BenQ (Shanghai) Co. Ltd for “Thiz SOS system – Nurse of BenQ” and provided goods to the latter. According to the analysis of the prevailing circumstances, the sales of Thiz SOS System (Nurse of BenQ version) would exceed 20,000 sets per month.

The Group successfully renewed the bundling contract of 2007 desktop system with Tsinghua Tongfang, and there was desirable result in respect of the contract entered into with, and about 600,000 sets of Thiz desktop operating system were sold in 2006. Our target is to sell over 1,000,000 sets of desktop operating system in 2007.

In addition, the Group also leveraged on its own advantage to initiate inter-company cooperation, such as the formation of partnership in respect of software with China Railway First Group.

In the meantime, as for the training business, the Group's progress in each training task achieved by the Group was relatively rapid in the last quarter. We achieved certain results in the development of training product, standardization of training flow, cooperation with school, cooperation with other enterprises and franchise schools:

- (1) We developed small module courses, such as LAMP and J2ME, perfected the overall course structure, and better adapted to market demand.
- (2) We revised and refined the workflow of training programmes based on the one established previously to make it more convenience to initiate the works.
- (3) The headquarter and each school districts would pay more emphasis on the cooperation with schools, so as to achieve practical results in jointly built laboratories and practical training exercises.

## **PROSPECT**

Under the direction of overall strategic deployment for the Group in 2007, all staffs of the Group initiated substantial amount of works, in order to achieve outstanding results on products sales and commercialization of training business.

The Group will closely monitor the state's policy of authorized software and adapt to market demand of customers. The Group will actively seek cooperation opportunities related to Linux. In the course of uninterrupted products cooperation, we will strengthen the compatibility and stability features of products. Our products are the first choice for pre-installed Linus operating system version with domestic computers manufacturers.

Moreover, this quarter is critical to the Group's training business in 2007. Hence, all staffs will timely adjust their working conditions and targets based on the result achieved in last quarter, and strive to achieve better results in the following aspects:

- (1) Continue to expand the network coverage of franchise schools, enhance the standardization and work direction to franchise schools. The franchise schools will strive to contribute more revenue.
- (2) Further revise and plan all course structure, so that each training programme will be accurately positioned in the market, well-defined students recruitment procedures, and complete range of complementary products.



- (3) Place more effort on the work of external training exercise, strive to make all training base to be contracted for external training programmes, and expand the source of income.
- (4) Enhance the quantity and quality of various kinds of cooperation. We put more effort to support various kinds of cooperation in this quarter based on our works in last quarter. Professional cooperation website will be set up, so as to dedicate more efforts to promote various types of cooperation, and actively improve the implementation of cooperation.

## Financial Performance

The Group's consolidated turnover for the three months ended 30 June 2007 amounted to approximately HK\$1,565,000 (2006: HK\$4,188,000). During the period under review, loss from operations for the period was HK\$3,826,000, compared to HK\$3,902,000 in the corresponding period of last year. Further, loss attributable to equity holders for the period was HK\$5,439,000 while the corresponding period of last year was HK\$5,274,000.

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

As at 30 June 2007, 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	7.60%
Mr. Wong Hoi Wong ("Mr. Albert Wong") (Note)	Other	24,970,000	3.58%

*Note:* These 24,970,000 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 2007, 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
					30 June 2007
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 2007.

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

Save as disclosed herein, as at 30 June 2007, 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 2007, 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 2007, 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
United Fu Shen Chen Technology Corporation	52,434,000	–	7.52%	–
Richagain International Limited ( <i>Note 1</i> )	27,748,909	32,307,692	3.98%	80.77%
Extra Bright Trading Limited	69,500,000	–	9.97%	–
Mr. Liu Gu Cheng	60,000,000	–	8.61%	–
Ms. Chu Ya Hsin	51,000,000	–	7.39%	–
Mr. Wang Shu Ming	47,737,273	–	6.85%	–

*Note 1:* Richagain International Limited holds 27,748,909 Ordinary Shares and 32,307,692 Preference Shares. If all its Preference Shares are converted into Ordinary Shares, Richagain International Limited will be interested in 8.15% of the total Ordinary Shares in issue as enlarged by the conversion of all outstanding Preference Shares issued by the Company.

Save as disclosed above, as at 30 June 2007, 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 2007 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 2007, 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 2007.

## **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 Ms. Chan Mei Sze. 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 2007 and has provided advice and comment thereon.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the Code) contained in Appendix 15 of the GEM Listing Rules throughout the Period, save for the deviations discussed below.

Under the code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. WONG HOI WONG is both the Chairman and Chief Executive Officer of the Company who is responsible for managing the Board and the Group business. The Board considers that, with the present board structure and scope of business of the Group, there is no imminent need to separate the roles into two individuals as Mr. WONG is perfectly capable of distinguishing the priority of these roles in which he has been acting. However, the Board will continue to review the effectiveness of the Group corporate governance structure to assess whether the separation of the positions of Chairman and Chief Executive Officer is necessary.

## 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 2007.

By Order of the Board  
**Wong Hoi Wong**  
Chairman

Hong Kong, 14 August 2007

*As at the date hereof, the board of directors of the Company comprises three executive directors, namely Mr. Wong Hoi Wong, Mr. Lin En Fu and Mr. Yuan Luke Tsu, three non-executive directors, namely Mr. Lin Chien Hsin, Ms. Hsieh Yi Chen and Ms. Wu Chiao Ru and three independent non-executive directors, namely Ms. Li Zhe, Mr. Chu Meng Chi and Ms. Chan Mei Sze.*