



**Thiz Technology Group Limited**

**即時科研集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(於開曼群島註冊成立之有限公司)*

(Stock Code 股份代號：8119)



## Third Quarterly Report 2008/09 第三季度報告



## **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.

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

\* For identification purpose only

## SUMMARY

- The Group recorded a turnover of approximately HK\$2,729,000 for the nine months ended 31 December 2008.
- Loss attributable to shareholders was approximately HK\$10,892,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the nine months ended 31 December 2008.

## RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) herein to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31 December 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	<i>Notes</i>	<b>For the three months ended 31 December</b>		<b>For the nine months ended 31 December</b>	
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	474	830	2,729	4,924
Cost of sales		(383)	(555)	(1,581)	(2,631)
Gross profit		91	275	1,148	2,293
Other revenues	3	207	459	213	561
Selling and distribution expenses		(84)	(201)	(260)	(596)
General and administrative expenses		(3,449)	(5,297)	(10,448)	(14,465)
Loss from operations		(3,235)	(4,764)	(9,347)	(12,207)
Finance costs	4	(412)	(875)	(1,545)	(3,390)
Loss before tax	4	(3,647)	(5,639)	(10,892)	(15,597)
Tax	5	—	—	—	—
Loss for the period		<u>(3,647)</u>	<u>(5,639)</u>	<u>(10,892)</u>	<u>(15,597)</u>
Attributable to:					
Equity holders of the Company		(3,647)	(5,639)	(10,892)	(15,597)
Minority interests		—	—	—	—
		<u>(3,647)</u>	<u>(5,639)</u>	<u>(10,892)</u>	<u>(15,597)</u>
Loss per share					
– Basic (in cents)	6	<u>(0.28)</u>	<u>(0.54)</u>	<u>(0.84)</u>	<u>(1.49)</u>

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

								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 2007	30,617	23,521	84	8,339	360	1,037	(119,254)	(55,296)	113	(55,183)
Conversion of Shares	39,090	5,593	–	(4,684)	–	–	–	39,999	–	39,999
Open offer	34,854	–	–	(2,791)	–	–	–	32,063	–	32,063
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	689	–	689	–	689
Loss for the period	–	–	–	–	–	–	(15,597)	(15,597)	–	(15,597)
Balance at 31 December 2007	104,561	29,114	84	864	360	1,726	(134,851)	1,858	113	1,971
Balance at 1 April 2008	104,561	26,818	84	789	360	4,038	(162,102)	(25,452)	–	(25,452)
Conversion of Shares	4,000	985	–	411	–	–	–	5,396	–	5,396
Subscription of shares	21,712	–	–	210	–	–	–	21,922	–	21,922
Exchange adjustment on translation of the financial statements of foreign subsidiaries	–	–	–	–	–	(484)	–	(484)	–	(484)
Loss for the period	–	–	–	–	–	–	(10,892)	(10,892)	–	(10,892)
Balance at 31 December 2008	130,273	27,803	84	1,410	360	3,554	(172,994)	(9,510)	–	(9,510)

*Notes to the Accounts:*

**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 have been set out in the Company’s annual report for the year ended 31 March 2008.

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 2008.

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:—

	For the three months ended 31 December		For the nine months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover:—				
Distribution of Group's				
Linux based software and				
hardware products	147	513	1,080	1,485
Sale of computer products	271	292	1,096	1,804
Training income	56	25	553	1,635
	<u>474</u>	<u>830</u>	<u>2,729</u>	<u>4,924</u>
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Other revenues:—				
Interest income	2	116	5	119
Sundry income	205	343	208	442
	<u>207</u>	<u>459</u>	<u>213</u>	<u>561</u>
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	<u><u>681</u></u>	<u><u>1,289</u></u>	<u><u>2,942</u></u>	<u><u>5,485</u></u>

#### 4. Loss before tax (Unaudited)

	For the three months ended 31 December		For the nine months ended 31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before tax is arrived at after charging:				
Cost of inventories sold	383	555	1,581	2,631
Amortisation of product development costs	169	470	507	1,411
Depreciation	248	335	892	956
Finance costs				
– Interest on convertible preference shares	–	103	258	959
– Interest on convertible notes	–	–	–	147
– Other finance costs	412	772	1,287	2,284
	<u>412</u>	<u>875</u>	<u>1,545</u>	<u>3,390</u>

#### 5. Tax

Hong Kong profits tax is calculated at 16.5% (2007: 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 nine months ended 31 December 2008, 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 nine months ended 31 December 2008 is based on the loss attributable to equity holders of HK\$10,892,000 (2007: HK\$15,597,000) and the weighted average of 1,302,737,250 (2007: 1,045,614,375) ordinary shares in issue during the period.

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2008 (2007: Nil).

## **BUSINESS REVIEW**

With the successful development of the Linux desktop operating system and other relevant technologies of the Company and the Group, besides the existing clients, we have added a number of new cooperation partners in business since entering the third quarter, the cooperation contents of which include but not limited to the following:

We cooperated with a famous tier one PC factory for development of series of UMPC products, the cooperative direction of which was mainly based on the desktop operating system under Linux. The end user was a world eminent make-up production factory of an international renowned beauty group, for the purpose of market promotion of products, it is expected that cooperative development will include Linux OS of versions in multi-languages, such as English, French, German and Spanish. At present, development of French version has been completed.

We cooperated with another famous tier one PC factory in respect of early stage technologies of multi-media non-disc display system and multi-media classroom. The main cooperative direction of multi-media classroom is: as for the part of PC, multi-media classroom project achieves the model of one host with ten terminals, realizing the joint and separate operation of system platform; and the part of NB is user desktop system with non-SERVER version; the main cooperative direction of multi-media non-disc display system is: establishment of multi-media non-disc display system and establishment of multi-media display system with DOM version. So far, technologies of the two projects have reached the final testing stage. Then further negotiation will be carried out in respect of multi-media non-disc display systems, which focus on provision of solutions for satellite multi-media display of educational course in certain province. The deployment projects involve several colleges of the whole province.

We cooperated with a famous tier one PC factory in China in respect of “Project of Development of Laptop Drive”. The factory is a leading provider for IT application solution as well as one of the largest manufacturers for servers and providers for server solutions in China. The cooperation with the factory this time only includes adaptation of drive development under Canaima 2.0, with integrated equipments such as wireless network card, modem, display-card, camera, function key and HDMI of laptop of this model. Meanwhile, the factory expressed strong interest in our Linux OS desktop operating system, with the wish of further cooperation in the future including but not limited to X86 platform.



## PROSPECT

Since 2006, the market of Linux desktop operating system has experienced unprecedented good environment. Ministry of Information Technology, National Copyright Administration and Ministry of Commerce jointly announced provision that original operating system shall be pre-installed, and then expressed their intention for forbidding of new PC computer with pre-installation of FreeDos. In this situation, the advantage of low price Linux desktop operating system stands out. A large number of PC factories which originally did not pre-install operating system close up with Linux desktop products, resulting in a significant increase in income from OEM of Linux desktop in 2007. Entering into 2008, relevant information showed that Linux desktop operating system has occupied 20% market share.

### *Financial highlights*

The Group's consolidated turnover for the nine months ended 31 December 2008 amounted to approximately HK\$2,729,000 (2007: HK\$4,924,000). During the period under review, loss from operations for the period was HK\$9,347,000, compared to HK\$12,207,000 in the corresponding period of last year. Further, loss attributable to equity holders for the period was HK\$10,892,000 while the corresponding period of last year was HK\$15,597,000.

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

As at 31 December 2008, 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	4.06%
Mr. Wong Hoi Wong (“Mr. Albert Wong”) ( <i>Note</i> )	Other	24,806,000	1.90%

*Note:* These 24,806,000 shares are registered in name of Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust, the objects of which include Mr. Albert Wong and his family and any charity in the world. As at 31 December 2008, Mr. Albert Wong held the entire issued share capital of Intelligent Management Limited. By virtue of SFO, Mr. Albert Wong has interest of such shares.

### **Long positions in underlying shares of equity derivatives of the Company**

The Company adopted a share option scheme (the “2001 Scheme”) on 6 July 2001, pursuant to which it may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company. On 5 August 2004, the Company adopted a new share option scheme (the “2004 Scheme”), pursuant to which it may grant options to eligible participants including executive directors of the Company to subscribe for shares in the Company and on the same day, the 2001 Scheme was terminated.

Name of Directors	Type of interest	Date of grant	Exercise price per share <i>HK\$</i>	Exercisable period	Number of ordinary shares eligible for subscription under options granted and outstanding as at 31 December 2008
Mr. Wong Hoi Wong	Personal	21 November 2001	2.20	30 June 2002 to 29 June 2012	234,995

No options were granted or exercised under the 2001 Scheme and the 2004 Scheme during the nine months ended 31 December 2008.

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

Save as disclosed herein, as at 31 December 2008, none of the directors has short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, as at 31 December 2008, none of the directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2008, 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 Shareholder	Nature of interests	Number of Shares Held	Approximate percentage of issued share capital
Ms. Hsu Chia-Huey	Beneficial	55,470,628	4.26%
	Attributable interest of controlled corporation	117,745,000	9.04% ( <i>Note 1</i> )
Ms. Chu Ya Hsin	Beneficial	106,500,000	8.18%
	Attributable interest of controlled corporation	85,090,909	6.53% ( <i>Note 2</i> )

### *Notes:*

- (1) 117,745,000 Shares, representing approximately 9.04% of the total issued share capital of the Company, were held by Extra Bright Trading Limited, which was owned as to 51% by Ms. Hsu Chia-Huey. Ms. Hsu Chia-Huey was therefore deemed to be interested in 9.04% of the issued share capital of the Company under the SFO.
- (2) 85,090,909 Shares, representing approximately 6.53% of the total issued share capital of the Company, were held by Maxbase Holdings Limited, which in turn was 50% held by Ms. Chu Ya Hsin. Ms. Chu Ya Hsin was therefore deemed to be interested in 6.53% of the issued share capital of the Company under the SFO.

Save as disclosed above, as at 31 December 2008, 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 nine Company”, at no time during the nine months ended 31 December 2008 was the Company or any of its subsidiaries a party to any arrangements to enable any director or their respective spouse or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## **MANAGEMENT SHAREHOLDERS' INTERESTS**

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at 31 December 2008, 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 nine months ended 31 December 2008.

## **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 nine months ended 31 December 2008 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.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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.

## **NON-EXECUTIVE DIRECTORS**

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, the non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code for securities transactions by the Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirmed that, having made specific enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the nine months ended 31 December 2008.

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

Hong Kong, 13 February 2009

*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.*