

**Bringing enlightenment to the
choice of computing solutions**

為電腦解決方案，創造新局面



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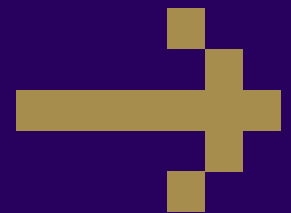
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創業板發佈資料之主要途徑乃在聯交所設立之互聯網網站刊登。上市公司一般毋須在憲報指定報章刊登付款公佈披露資料。因此，有意投資之人士應注意彼等能閱覽創業板網站，以便取得創業板上市發行人之最新資料。

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本報告（即時科研集團有限公司各董事（「董事」）願共同及個別對此承擔全部責任）乃遵照香港聯合交易所有限公司《創業板證券上市規則》的規定而提供有關即時科研集團有限公司的資料。各董事經作出一切合理查詢後確認，就彼等所知及所信：1. 本報告所載資料在各重大方面均屬準確及完整，且無誤導成分；2. 本報告並無遺漏任何事實致使其中所載任何內容產生誤導；及 3. 本報告內表達的一切意見乃經審慎周詳考慮後方作出，並以公平合理的基準和假設為依據。



Our Mission



To develop **user-friendly**
and cost-effective Linux
software to users around
the world.

Contents

1	Corporate Mission	37	Auditors' Report
3	Corporate Background and Company Structure	38	Consolidated Income Statement
4	Corporate Information	39	Consolidated Balance Sheet
5	Financial Highlights	40	Balance Sheet
6	Corporate Milestone	41	Consolidated Cash Flow Statement
10	Chairman's Statement	42	Consolidated Statement of Recognised Gains and Losses
14	Management Discussion and Analysis	43	Notes to Financial Statements
26	Biographical Details of Directors and Senior Management	67	Financial Summary
28	Directors' Report		



We strive for the best
to become **the leading
provider of Linux
application software
solutions** in the world.

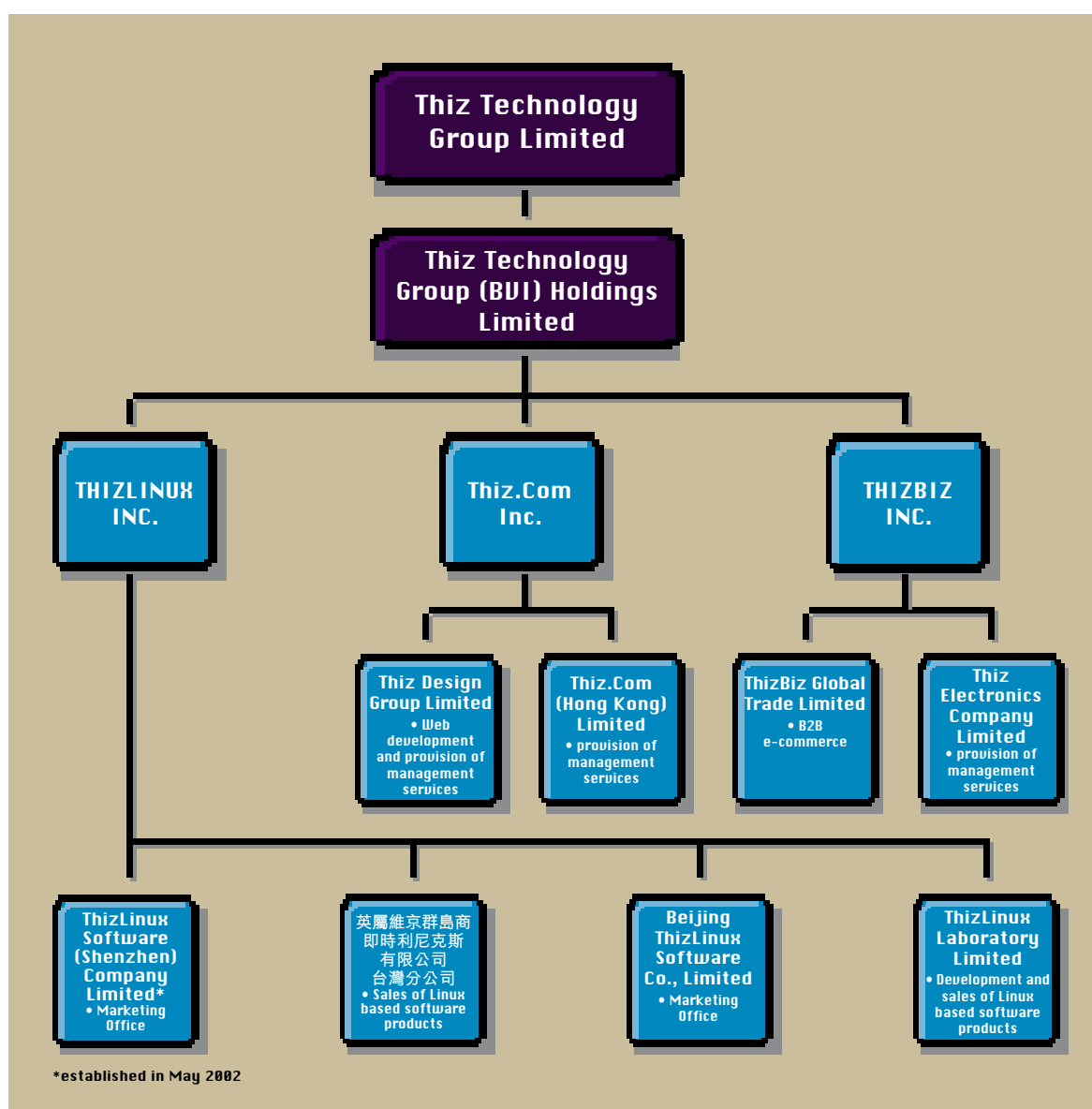
Our growing customer base and
continuous cooperation with
internationally renowned companies
are concrete proof of our product
excellence.

Quality



Corporate Background and Company Structure

Based in Hong Kong, Thiz Technology Group Limited ("Thiz" or the "Group") is the first and a leading developer of Linux solutions for PC users. Thiz is a provider of various computing solutions and related services targeted at individuals, small to medium size enterprises ("SMEs") and educational institutions. The products and services provided by the Group include Linux operating system, applications and other related services, such as software installation, training and education. Thiz launches high quality products that are flexible to customise for clients of SMEs, professional and educational institutions.



Corporate Information

Head Office and Principal Place of Business

Unit 1701-04, Hang Seng Building
77 Des Voeux Road Central
Hong Kong

Registered Office

Ugland House, South Church Street
P. O. Box 309, George Town
Grand Cayman
Cayman Islands
British West Indies

Company Website

www.thizgroup.com

Principal Share Registrar

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
Tsimshatsui Branch
82-84 Nathan Road
Tsimshatsui
Kowloon, Hong Kong

Legal Advisers

As to Hong Kong law
Cheung, Tong & Rosa
Rooms 1621-33, 16th Floor
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30 Harbour Road
Hong Kong

As to Cayman Islands law

Maples and Calder Asia
1504 One International Finance Centre
1 Harbour View Street
Hong Kong

Auditors

PKF
26th Floor
Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Company Secretary and Qualified Accountant

Mr. Sum Yan Ning, AHKSA ACCA

Investor and Media Relations

iPR ASIA LTD.

Shareholder Information

Listing : Growth Enterprise Market of
The Stock Exchange of
Hong Kong Limited

Listing Date : 27th July, 2001

Nominal Value : HK\$0.01 per share

Stock Code:

Hong Kong

Stock Exchange : 8119

Reuters : 8119.HK

Bloomberg : 8119 HK

Announcement of

2002 Results : 19th June, 2002

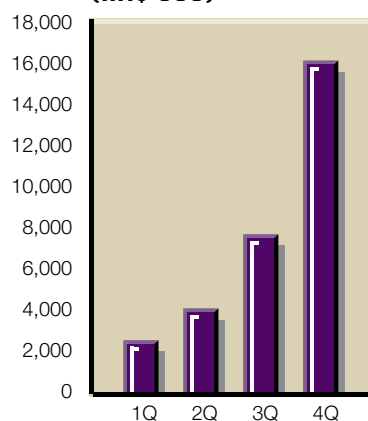
Annual General Meeting : 26th July, 2002

Financial Year End : 31st March

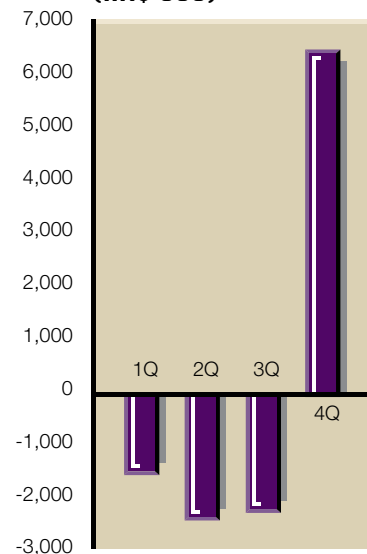
Financial Highlights

	2002 HK\$'000	2001 HK\$'000
Results		
– Turnover	30,392	4,315
– Profit/(loss) attributable to shareholders	428	(6,225)
– Earnings/(loss) per share – Basic (in cents)	0.03	(0.45)
– Diluted (in cents)	0.03	N/A
Consolidated Balance Sheet Data		
– Total assets	28,375	2,262
– Total liabilities	3,037	13,454
– Shareholders' funds/(Capital deficiency)	25,338	(11,192)
Financial Ratios		
– Current ratio	7.76	0.14
– Gross profit margin	46%	34%
– Net profit margin	1%	(144%)
– Gearing ratio	12%	120%

**Fiscal 2002
Turnover by Quarter
(HK\$'000)**



**Fiscal 2002
Net Profit by Quarter
(HK\$'000)**



2001

Becoming a Global Linux Software Provider



April 2001

- Launched ThizLinux 4.2 and received positive market response. Together with the effective of Intellectual Property Ordinance, the Hong Kong public began to aware Thiz Linux as an alternative software choice

May 2001

- Launched ThizOffice 2.0



October 2001

- Thiz Technology software giveaway campaign
- Partnered with Hong Kong Productivity Council and eZone Magazine of Hong Kong Economic Times to hold a Linux seminar to promote the popularity of Linux
- Upgraded Thiz Linux Desktop to version 5.0

December 2001

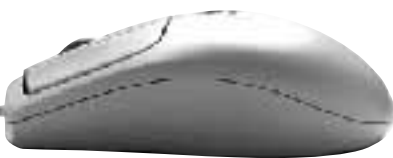
- Launched Click2Office, Thiz Firewall, Thiz Trading and Thiz Platform
- Opened Beijing office to develop the lucrative PRC market

June 2001

- Launched beta version of Thiz Linux@School to target the educational sector

July 2001

- Listed on the Growth Enterprise Market of the Hong Kong Stock Exchange





January 2002

- Thiz Linux Desktop 5.0 obtained "A+" rating from PRC's standardisation of Information Technology Committee
- Signed agreement with Longrand Electronics to distribute Thiz products at over 100 sales outlets in Hong Kong and in the PRC

February 2002

- Signed sales agreement with motherboard manufacturers, Chaintech and Elitegroup, to bundle Thiz Linux Desktop 6.0 and Thiz Office 3.0 with their motherboards to be distributed worldwide



April 2002

- Official launch of Thiz Linux Desktop 6.0 and Thiz Office 3.0
- Opened Taiwan office for R&D on VOD and set-top box technologies
- Participated in the 2002 Shanghai International Computer Software and Network Exhibition to raise brand awareness



May 2002

- Organised Linux seminars with Hong Kong Baptist University to further penetrate into the education market
- Opened Shenzhen office for further market penetration into the PRC

June 2002

- Co-operated with IBM® Taiwan to launch Thiz Linux software with IBM® software in Taiwan



2002



International Users

We have developed 12 languages including English, Chinese, Portuguese, German, French, Russian, Spanish, Japanese and Korean versions of Thiz Linux Desktop and Thiz Office to cater for different users around the world.





Through our OEM customers, we
begin to **establish global recognition**
for our brand name.

Chairman's Statement



Achieving a profit
turnaround of HK\$428,000,
**This has laid a solid
business foundation** and is
ready to leap into another
fruitful year.

A Year to

It is my pleasure to present the first annual report of Thiz Technology Group Limited since our listing in July 2001 to our valuable shareholders. The fact that Thiz achieved turnaround in such a short period of time doubles my pleasure. For the year under review, our turnover reached HK\$30,392,000 representing a 604% increase from last year. Net profit amounted to HK\$428,000, as compared to the loss of HK\$6,225,000 during the previous year. The Board has decided not to pay out any dividend to retain resources for upcoming business pursuits.

Since our GEM listing on the Stock Exchange of Hong Kong on 27th July, 2001, we have been aggressively promoting the popularity of Linux in the Greater China region. We are pleased to see that users are becoming more familiar with Linux's advantages and capabilities. With the introduction of Thiz Linux, users begin to realise that Linux operating system (OS) can also be very user-friendly, and it has all the necessary applications to satisfy their needs.

REVIEW AND OUTLOOK

This year, Thiz has built a solid foundation for future growth. We are thrilled to see that Thiz has established a reputable brand name for itself in the software industry within such a short period of time. To further solidify its position in the market, we have established strategic alliances with large computer motherboard manufacturers, such as the Elitegroup Computer Systems Co. Ltd ("Elitegroup") and Chaintech Computer Co. Ltd. ("Chaintech"); with Longrand Electronics Limited ("Longrand"), a software distributor; and also with IBM® Taiwan Corporation ("IBM® Taiwan"), the renowned leader in the computer industry. Not only did such strategic alliances boosted sales, but also it expanded the geographical reach and brand awareness of Thiz.

The Group has introduced eight new applications since its listing as an effort to uphold its promise to launch one new product every two months. Amongst the new product offerings, ThizCampus, a school intranet solution, Click2Office, an office management and communication system and Thiz Firewall, a security software, all have received very positive responses from both the education sector and SMEs. Moreover, it also helped raised the awareness and promoted the reliability of Linux software applications amongst teachers, students and other education professionals. We are excited to see that our software was awarded an "A+" grade by the PRC's Standardisation of Information Technology Committee. Government departments in Hong Kong and Taiwan have also began to switch to Thiz software. Thiz's cooperation with IBM® Taiwan served as another concrete proof of its product reliability and after-sales service quality. We are proud of tapping into this lucrative and growing market and will continue to develop more practical Linux application software in the future to better serve our customers.

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Fly



Chairman's Statement

Having established a solid business foundation, it is our goal to further penetrate into the China market in 2002. The fact that Beijing Government awarded software contracts to Linux vendors clearly indicated that Linux is undeniably the preferred operating platform for the PRC Government. To solidify its foothold in such a fast growing market, Thiz has set up its Beijing office in December 2001 and its Shenzhen office was also opened in May 2002.

Outlook

Thiz operates in a high growth and high return market. Looking ahead, the Group is determined to become a global provider of Linux application software by fully capitalising on Linux's growing popularity. We will strengthen our marketing efforts in both Hong Kong and Greater China and continuously develop new products and upgrade existing versions. With such vast opportunities ahead, the Group is confident of generating even more fruitful returns for the years to come to thank its supportive stakeholders and customers.

Appreciation

Last but not least, on behalf of the Board of Directors, I shall take this opportunity to express our gratitude towards all our staff, customers, business partners and shareholders. It is with your support and dedication that Thiz can witness such success today. Do maintain confidence in us, because after building a solid and successful business model, Thiz is ready to take off. Not only Thiz will continue to celebrate success, but also its business will further flourish in the years to come.

For and on behalf of the Board

Li Sze Tang

Chairman

We developed **powerful,**
flexible, reliable &
compatible software



Focus

This focuses on developing Linux applications for PC users. Its product compatibility and diversity have attracted many SMEs, computer hardware manufacturers, educational institutions and government departments to use Thiz software.



Management Discussion and Analysis

The fiscal year 2002 was a productive year for Thiz and the Group has established a solid foundation for future growth. The Group focused on establishing alliances with computer motherboard manufacturers and international renowned corporations to boost its brand name thus achieving profit turnaround.

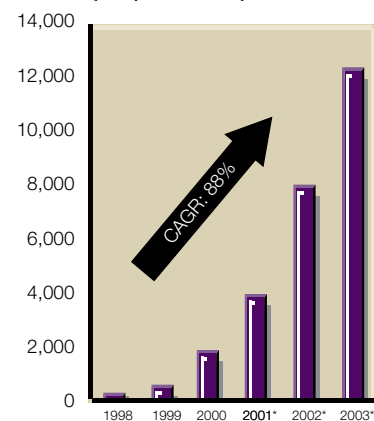
BUSINESS REVIEW

Continuous Demand of Linux Software in the Greater China Region

China is now the seventh biggest economy in the world, with an annual GDP of over US\$1 trillion. With a 1.3 billion population, it represents the largest global consumer market and clearly indicates that opportunities in Greater China are extremely lucrative. The software industry in China is relatively underdeveloped as compared to countries in the West. Hence, Thiz is highly confident of the growth potential in the PRC software industry.

Revenue from the Linux market is expected to surge tremendously as it is witnessing a compound annual growth rate ("CAGR") of 88%, jumping from US\$2 billion in 2000 to over US\$12 billion in 2003, according to WR Hambrecht + Co ("WRH"). It is also expected that revenue from the sale of Linux operating system software will grow from approximately US\$160 million in 2000 to over US\$700 million in 2003, representing a CAGR of 67%. International Data Corporations ("IDC") have projected that usage of Linux will experience faster growth than any other operating systems by 2003. WRH also forecasted that revenue from Linux hardware (including servers, server appliances and desktop workstations bundled with Linux applications) will grow from approximately US\$1.2 billion in 2000 to over US\$7.7 billion in 2003, with a CAGR of 83%. Taking into account the reliability, security and continuous improvement of open source software, coupled with the added advantage of low cost, Thiz is positive that Linux is, and will continue to be, a preferred solution for many users.

Revenue from Linux Products and Services (US\$ million)



Source: WRH, IDC, Dataquest and Jupiter Communications

* Forecast figure



Thiz Linux Desktop 6.0 is launched to provide a cost-effective and user-friendly operating system to end-users

Unlike other Linux programs which can be downloaded for free but difficult to operate, Thiz understands end-users needs and develops easy to use applications.

Why Linux?

A number of factors have contributed to the strong growth of Linux solutions. As an open source software, Linux benefits from rapid development, higher quality, and it also allows for the development of customised solutions at a significantly lower cost than that of proprietary software. The cost of ownership for Linux software is also considerably more economical. Furthermore, given the governmental and industry onslaught on pirated software, which in an unofficial estimation suggests that it accounts for nearly 50% of all computer software used in business, the lower costs of open source software will drastically increase the demand of Linux products.

Thiz's Strategies

Unlike most Linux developers that concentrate on server software development, Thiz is principally focused on the development of Linux applications for PC users. In light of the crackdown by the PRC, Hong Kong and Taiwan governments on the use of pirated software and improved protection of intellectual property rights, end users are increasingly demanding more economical software alternatives. By utilising the open source software that Linux offers, Thiz can provide end-users with more cost-efficient software solutions.

The quick development cycle of the Group's Linux applications is one of its key strengths. While the core Linux program ("Kernel") can be downloaded for free, the format is too complex and sophisticated for ordinary end-users with limited IT knowledge. Therefore, Thiz aims to offer user-friendly software applications that facilitate end-users to utilise Linux platform in a simple and convenient manner. With its strong R&D capabilities, new programs and applications are developed rapidly by the Group to meet market demands and needs. Since the Kernel is updated frequently, Thiz decided to locate its core R&D center in Hong Kong where information source is more abundant as an effort to ensure that its high programming standards can be complied with.

To establish a stable revenue base and to boost its brand name within the shortest period of time, the Group has entered into agreements with quality motherboard manufacturers to bundle Thiz's software with motherboards. Coupled with its agreement with IBM® Taiwan to co-brand Linux products, these are all cost-effective methods to acquire new end-users, so as to familiarise and inform them of the benefits of Thiz products.

Management Discussion and Analysis

In particular, Thiz strives to expand its market share in two major sectors – education and government. The education sector is highly lucrative as cost-effectiveness is always a major concern for schools and institutions due to limited resources. Furthermore, since the Group is keen on introducing the Linux platform to prospective end users as early as possible, the education sector allows Thiz to effectively tap into the next generations of tomorrow's market. Last but not least, the Group has also established a joint venture with Beijing Normal University to jointly develop long-distance degree programs for teachers, with the hope of introducing Thiz Linux to the academic curriculum as early as possible.

The government sector is also immensely attractive to the Group. Government authorities also are inhibited by cost considerations and require customised solutions that fit their needs, and Thiz's Linux applications can successfully fulfill these criteria. Furthermore, by penetrating the government sector, the Group can also tap into new markets, as many corporations prefer to use the same software as government authorities for convenience.

Thiz's products are user-friendly, and allow users to operate in a faster and more stable mode, while still remaining compatible with the Microsoft® software.

OPERATIONS REVIEW

Overview

Currently, Thiz is engaged in the development and provision 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. In order to support the Linux-related businesses, Thiz is also engaged in the ancillary activities of: the operation of Internet portals with features and functions for future development into Web-based applications for use on the Linux platform; the operation of e-commerce platforms through which the Group's Linux products are promoted and offered; and the provision of services such as Web design and Website development built on Linux platform with Linux compatible programs and Web hosting.

Sales to OEM client guaranteed a total of HK\$150 million revenue of license fee to the Group in the upcoming three years.

Agreement with IBM® Taiwan is a strong recognition to the Group's product quality.



Compatible with Windows operating system, Thiz Office 3.0 provides a complete range of office applications to satisfy end users needs

Thiz Software

2001 has been an extremely productive year for Thiz, and a number of new products have been introduced to the market. The Group's Thiz Linux Desktop and Thiz Office software have generated extremely positive sales, especially through OEM copies and due to the increased demand for open source software. Entering into OEM arrangements has proved to be a rewarding way to promote the popularity of the Group's products. Thiz has signed an agreement with Taiwan Elitegroup, a company supplying almost 30% of the worldwide motherboard market and is, guaranteed HK\$150 million in license fees over the next 3 years. An agreement with Chaintech, another motherboard manufacturer based in Taiwan, was signed to guarantee the sales of over 200,000 copies of software per month over the next two years. The two contracts alone make Thiz the largest global Linux provider in terms of the number of licenses.

The Group also entered into an agreement with IBM® Taiwan to launch a new Thiz Linux software with an existing IBM® software, called Super Office Suite (SOS), in June 2002. Under this agreement, 600,000 sets of Thiz Linux Desktop 6.0 and Thiz Office 3.0 will be sold per year bringing a revenue of around HK\$10 million for Thiz. The opportunity to cooperate with the international technology giant is a clear evidence of its quality and reliability of Thiz Linux's products. With IBM® Taiwan's valuable connection and esteemed brand recognition, the Group can capitalise on IBM®'s unrivaled leadership role within the industry to help raise own brand awareness and familiarity of its products. Thiz will strive to cooperate and launch similar products with IBM® in the immensely lucrative PRC market as an effort to secure a larger revenue and profit base.

Thiz Linux 5.0 Simplified Desktop Version has passed the testing of GB 18030 by the PRC's Standardisation of Information Technology Committee, meaning that it can be officially launched in the PRC and that it has also been awarded an "A+ grade" to recognise its impeccable quality. Thiz Linux Desktop 6.0 and Thiz Office 3.0 were both introduced over the last year. As compared to the previous generation, the new versions are equipped with more advanced and sophisticated functions. These latest Linux platforms are stronger and more user-friendly, and allow users to operate in a faster and more stable mode, while still remaining compatible with the Microsoft® operating system and office products. Twelve different languages such as Japanese, Portuguese, Spanish, French, Russian, German versions were also developed during the year to bring Thiz's brand name to the global arena through motherboard manufacturers.

®Microsoft and Windows are either registered trademarks of Microsoft Corporation in the United States and/or other Countries.

Management Discussion and Analysis

A number of new software solutions have also been launched this year. “Click2Office” is an office software that allows users to work in the virtual office at anytime and from anywhere. “Thiz Firewall” is a security software that offers comprehensive virus detecting functions to safeguard against virus attacks. “Thiz Trading” is a Chinese trading system that helps control inventory levels, invoicing and logistics management in order to achieve cost savings.

By proliferating its ranges of products, Thiz has successfully broadened its appeal to a wider range of users. Due to its impeccable R&D capabilities, the Group has fulfilled its promise to launch one new product every two months.

Develop Products for Different Sector Needs

Small and Medium Enterprises (“SMEs”)

In Hong Kong, the introduction of Intellectual Property Ordinance in April 2000 made thousands of SMEs concerned about the legality of their software. Those corporations are especially hit by the economic downturn and have limited resources to upgrade their systems. Looking for a way to minimise investment in software and at the same time ensuring system legality, Thiz Linux software became the most logical choice because of its user-friendliness and compatibility with Microsoft® Windows® operating system, and it is only 10% of the cost of proprietary software. Eyeing the lucrative SME market, the Group launched trading software to satisfy the needs of these companies.

In order to convey its dedication to providing cost-effective solutions to its customers, the Group also launched a software giveaway campaign in 2001 to try to alleviate the economic burdens borne by charities and SMEs. This campaign helped to promote Thiz’s brand name at a limited cost.

Government Sector

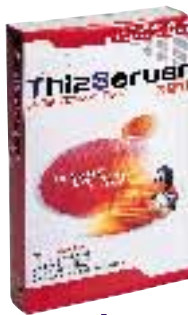
Thiz is the only Linux software that supports Chinese Excel and Lotus, ensuring that its software are suitable to be used by the Hong Kong Government. Thiz has already established a close relationship with the Government and various departments are trial-running Thiz’s software.

Education Institutions

Knowing very well that students are more acceptable to new ideas and are the future of the society, Thiz has decided to target this sector to ensure future popularity of its products. During the period under review, Thiz has successfully tapped into the education sector through an immense effort to increase awareness and usage of Linux products for educational purposes. Having successfully gained a strong market presence in this sector, Thiz will continue to develop this business in the years to come. ThizCampus launched this year is an effective school intranet solution. Over the last fiscal year, Thiz has successfully implemented its software in over 50 schools in Hong Kong.

Over the last fiscal year, Thiz has successfully implemented its software in over 50 schools in Hong Kong.

The cooperation with Beijing Normal University opened a path for Thiz to enter the lucrative PRC education sector.



Thiz Server is launched to complement existing product offering to provide a one-stop computing solution

The Group has also promoted the use of Linux software by participating in a series of seminars in conjunction with Hong Kong Baptist University.

The Group has also promoted the usage of Linux software by participating in a series of seminars in conjunction with Hong Kong Baptist University and other institutions. The purpose is to raise the profile of Linux in the tertiary education level.

This is also pleased to announce the formation of a sino-foreign equity joint venture company, JingShi Thizlinux Laboratory Stock Company, with Beijing Normal University and Eaglemax International Investment Limited. The joint venture is poised to develop the first and only distance learning educational degree programs for school principals and teachers in primary and secondary schools in the PRC. Recently, the Beijing Education Department requested that all teachers must obtain an education degree by 2007. With a population of 14 million teachers in the PRC, the demand for distance learning will be tremendous. With Thiz Linux becoming mandatory in the program, Thiz will gain an immediate access to the PRC education sector by having teachers become more familiar with the software. It will encourage a tremendous crowd of students using Thiz's software as well.

B2B Platform

The B2B e-commerce platform under thizbiz.com is a channel to promote and to provide Linux products to local individual customers and worldwide wholesalers as well as manufacturers. The B2B platform has been designed to support and facilitate the Group's principal business of Linux application development and sales.

Web Design

The web design business principally serves the Group's internal needs and complements its services.

Distribution Capacity

To contain sales and distribution expense while striving to maximise Thiz's exposure at the same time, the Group sells its products to motherboard manufacturers as well as establishes strategic alliances in the Greater China region to distribute Thiz's software in the region. Thiz's product exposure was extended tremendously through OEM sales. As at the latest practical date, motherboards bundling with Thiz's software were sold in Europe, Middle East and Australia. Also, Thiz distributes its software through Longrand, with over 100 sales outlets that are principally in Hong Kong and in the PRC. The Group is in talk with a software distributor with over 1,000 sales outlets nationwide to distribute Thiz's products in China.

Management Discussion and Analysis

FUTURE GROWTH STRATEGIES

Due to its low cost and user-friendliness, Linux has become one of the preferred systems for government departments, educational institutions, corporations and SME markets. Demand for Linux software is growing rapidly as users have become increasingly aware of the cost savings that it can bring. Given that the Linux market in Greater China is a high-growth and high-return industry, Thiz will focus on the development of new Linux solutions as well as the upgrading of existing software.

Thiz is committed to becoming a global leader in the provision of Linux application software. The Group aims to capitalise on the growing popularity of the Linux platform to increase returns for all stakeholders. Thiz will maintain its strong market position by leveraging on its efficient and effective R&D team to continuously develop new products and existing versions. Marketing efforts will also be strengthened in the Greater China region to exploit the vast opportunities that exist there.

The Group will also strive to increase its global coverage and presence by establishing strategic alliances with reputable and renowned corporations in the computer and software industries. Another major growth strategy for Thiz is to increase its market share in the PRC by continuing to promote and devise Linux solutions for the education sector.

Thiz is dedicated to strengthening its position as the leading Linux software provider in the Greater China region and, aiming to become the world's leading Linux application software provider as well. By developing and diversifying Linux-based applications, from ERP, operating and application systems, point-of-sales to other enterprise software, the Group endeavors to provide the most cost-efficient and effective computing solutions to end-users throughout the world.

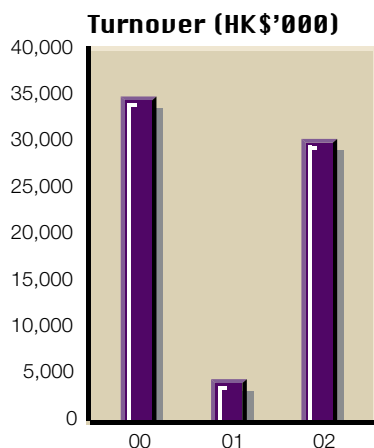
FINANCIAL REVIEW

Results

The audited consolidated turnover of the Group for the year ended 31st March, 2002 was approximately HK\$30,392,000 (2001: HK\$4,315,000). The substantial increase in revenue of the Group was attributable to the sale of computer products and the distribution of the Group's Linux based software products.

The audited profit attributable to shareholders of the Group and earnings per share for the year ended 31st March, 2002 were approximately HK\$428,000 and HK 0.03 cents respectively. Compared with the corresponding year ended 31st March, 2001, which recorded loss attributable to shareholders of approximately HK\$6,225,000, the increase of profit during the year under review reflected the substantial increase in income from distribution of the Group's Linux based software products.

With Thiz's effective R&D capabilities, the Group strives to become a global leader in the provision of Linux applications.



The Group has achieved a net profit of HK\$6.5 million in the final quarter, making Thiz posted a net profit of HK\$428,000 for the annual results 2002.

Expenses

Cost of sales consisted of cost of production of box sets and computer accessories. Cost of sales increased by 481% from HK\$2,852,000 to HK\$16,559,000 in fiscal year 2002. As a percentage of turnover, cost of sales decreased from 66% in fiscal year 2001 to 54% in fiscal year 2002 due to the effective cost control implemented by the Group.

Segment Information

The Group is principally engaged in two business segments in three geographical regions. The Group presented its segment information based on nature of their operations and the products and services they provided.

Financial Resources and Liquidity

As at 31st March, 2002, shareholders' funds of the Group amounted to approximately HK\$25,338,000. Current assets amounted to approximately HK\$23,565,000, of which approximately HK\$14,615,000 were cash and bank deposits. Current liabilities of approximately HK\$3,037,000 mainly comprised of its trade payables, other payables and accruals.

As at 31st March, 2002, the Group had net current assets of approximately HK\$20,528,000. The Group's financial position is healthy, positioning the Group advantageously to expand its core business and to achieve its business objectives.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' funds as at 31st March, 2002 is 12%.

Exposure to Foreign Exchange Risk

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

Charges on the Group's Assets and Contingent Liabilities

At 31st March, 2002, the time deposit of HK\$300,000 has been pledged to a bank to secure general banking facilities of HK\$300,000 being the credit limit of corporate credit card granted to the Group.

As at 31st March, 2002, the Group had no material contingent liabilities.

Employees and Remuneration Policies

The Group recognises the importance of training to its staff. In addition to on-the-job training, the Group regularly provides external training for its staff to enhance technical or product knowledge.

Management Discussion and Analysis

As at 31st March, 2002, the Group had 70 employees, including directors of the Group. Total staff costs for the year under review, including directors' remuneration, amounted to approximately HK\$10,222,000. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. The Group also provides retirement schemes and medical insurance scheme for its employees.

Use of Proceeds

The proceeds from the issue of new shares pursuant to a Placing of the Group in July, 2001, after deduction of related expenses, amounted to approximately HK\$26,000,000. Included in the above net proceeds of HK\$26,000,000, approximately HK\$5,100,000 and HK\$5,000,000 was planned to provide additional working capital of the Group and reserved for future investment opportunities or contribution to other joint venture for the development of Linux solutions respectively. The remaining net proceeds was planned and applied up to 31st March, 2002.

	Originally Planned up to 31st March, 2002* HK\$'000	Amount Utilised up to 31st March, 2002 HK\$'000
Contribution to the joint ventures to develop application software on Linux	2,100	1,274
Setting up sales office in Beijing	1,500	2,734
Marketing and promotion	2,500	2,277
Enhancement of the Group's existing Linux products	2,000	2,691
Development of Web applications and other computing products/services	500	1,621
Purchase of hardware equipment	400	184
Total	9,000	10,781

* Amounts are extracted from the Group's prospectus dated 20th July, 2001 issued in relation to the Group's placing and proposed listing of shares on GEM.

Comparison of Business Objectives with Actual Business Progress

	According to the Business Plans from the Latest Practical Date (as Defined in the Prospectus) to 31st March, 2002	Actual Business Progress
Develop and improve Thiz Linux	<ul style="list-style-type: none"> – Launch Thiz Linux Desktop version to run in French – Launch Thiz Linux manual – Launch Thiz Linux Desktop version in Spanish – Launch Thiz Linux@School 	<ul style="list-style-type: none"> – Completed in October, 2001 – Completed in October, 2001 – Completed in October, 2001 – Launched in October, 2001
Develop applications software on Linux platform with joint venture partners	<ul style="list-style-type: none"> – Launch ThizOMS – Distribute ThizOMS in the PRC – Signed binding agreements with Yuan Wang and Great Asia Development Limited (“GA”) to re-develop applications on Linux – Start development work of an accounting software that runs on Linux with GA – Obtain approval from the PRC to set up Yuan Wang JV 	<ul style="list-style-type: none"> – A similar program called Thiz Trading was launched in February, 2002 – The Group is still in talks with various PRC distributors and has yet to appoint a distributor. Thus the product is not yet distributed in the PRC – The Group started developing accounting software in-house instead – The Group started developing accounting software in-house instead – The Group has developed an “Web-based education” and “office information system” in-house instead
Develop Linux compatible Web application softwares based on features of the Group's portals	<ul style="list-style-type: none"> – Develop and launch Linux compatible office administration system software 	<ul style="list-style-type: none"> – A Linux compatible office administration system software called Click2Office was launched in December, 2001
Develop other computing products/services	<ul style="list-style-type: none"> – Launch home server bundle – Develop and launch standardised Web design package service – Develop and launch wireless Internet products 	<ul style="list-style-type: none"> – Thiz Diskless has already launched in December, 2001 – Specification being studied – The Group completed set-top box wireless programming

Management Discussion and Analysis

According to the Business Plans from the Latest Practical

Date (as Defined in the Prospectus) to 31st March, 2002

Actual Business Progress

Marketing strategies	<ul style="list-style-type: none"> Free samples of ThizLinux Desktop version 4.2 to magazine readers Joint promotion with training centers to promote Thiz Linux and Thiz Office Seminar on Office Migration program Press conference for the launch of ThizOMS Set up marketing office in Beijing of the PRC Joint promotion with education organisations for Thiz Linux@School 	<ul style="list-style-type: none"> Free samples were distributed to the magazine, Advanced Computing readers in May, 2001 Joint promotion with training centres such as Hong Kong Baptist University, ABRs, Linux workshop with CITA, Unisoft and VTC, providing full Linux classes for end-users. Joint with Linux Pilot (Linux Festival), CITA and Hong Kong Linux user Group providing seminars to the public. Not applicable as Thiz launched a similar program called Thiz Trading on February, 2002 Beijing office was set up in December, 2001 Hosted booths and provided summer training workshops School Zone with, HKFEW, HK Education Department, Education City and Education Software Platform for primary and secondary teachers and students.
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Customer support is the key for software providers. We answer enquiries from around the world through the Internet on a timely basis.

Customer Satisfaction



We care about our customers. From product design to after-sales services, we ensure that **our customers will be fully satisfied.**



Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Sze Tang **Chairman**

Mr. Li Sze Tang, aged 43, is the Chairman of the Group. He has been involved in the Group's activities since July 1999 and is responsible for the Group's overall strategic planning, management, business development, new product strategy and formulation of investment strategies. He has about 18 years of experience in various aspects of the finance, investment, and computer industries. Mr. Li holds a Master's Degree in Science from the Imperial College of Science, Technology and Medicine, University of London and a Master's Degree in Economic Law from Zhongshan University, the PRC in 1996. He is also a Fellow Member of Chartered Institute of Management Accountants, the United Kingdom and the Hong Kong Society of Accountants.

Ms. Wanzi Huang **Deputy Chairman**

Ms. Wanzi Huang, aged 27, is the Deputy Chairman of the Group. She had about 5 years' experience in computer trading and international trading. She is responsible for marketing the Group's Linux products to computer manufacturers in the U.S.. Ms. Huang graduated with a Bachelor's Degree in Administration in Fundagao Getulio Vargas in Brazil.

Mr. Wong Hoi Wong **Executive Director**

Mr. Wong Hoi Wong, aged 47, is an Executive Director and a founder of the Group. Mr. Wong has over 22 years' experience in sales and marketing, in particular in electronics and computer industries. Mr. Wong was the Chairman of Association of Electronic Components Industry of Taipei from 1990 to 1993. He oversees the sales and marketing strategies of the Group. Mr. Wong graduated from the Department of Industrial Management of Tamsui Oxford College in Taiwan with a diploma.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Zhe

Ms. Li Zhe, aged 32, is a qualified PRC lawyer. Ms. Li graduated with a Bachelor's Degree in Economic Law from Zhongshan University, the PRC, a Master's Degree of Business Administration from Murdoch University, Australia and a Postgraduate Diploma in Law from the Manchester Metropolitan University of the United Kingdom. Ms. Li has served a number of law firms in the PRC and Hong Kong. She is currently the Head of Legal Department of New World Infrastructure Limited. She was appointed as an independent non-executive Director in July 2001.

Mr. Kwok Ming Wa

Mr. Kwok Ming Wa, aged 40, is the Director and Vice President of Beijing - Hong Kong Academic Exchange Centre which has been set up for the promotion of exchange and cooperative work in academic and technological areas between Hong Kong and the PRC. He used to be a member of the executive committee of Hong Kong New Generation Cultural Association. Mr. Kwok graduated from the Peking University, the PRC with a Bachelor's Degree in Petrology and Geochemistry and a Master's Degree in Remote Sensing Technology. He was appointed as an independent non-executive Director in July 2001.

SENIOR MANAGEMENT

Mr. Lau Hing Bun



Mr. Lau Hing Bun, aged 32, is the General Manager of the Group overseeing Linux development projects. Mr. Lau has about 8 years of experience in developing networking system and programming. He graduated from The Chinese University of Hong Kong with a Bachelor's Degree in Engineering. Before joining the Group in August 2000, Mr. Lau was a System Manager and Network Engineer with a number of hi-tech firms. He also tutored under-graduate computer courses at The Chinese University of Hong Kong.

Mr. Sum Yan Ning



Mr. Sum Yan Ning, aged 40, is the Accounting Manager of the Group and the company secretary and qualified accountant of the Company. Mr. Sum has over 10 years' accounting and finance experience in Hong Kong and is an associate member of Hong Kong Society of Accountants and Association of Chartered Certified Accountants. He joined the Group in November 2000.

Directors' Report

The directors have pleasure in presenting their first report together with the audited financial statements of the Company for the period from 6th December, 2000 (date of incorporation) to 31st March, 2002 and the Group for the year ended 31st March, 2002.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company was incorporated in the Cayman Islands on 6th December, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM"), the Company became the holding company of its subsidiaries on 5th July, 2001. Details of the Reorganisation are set out in note 1 to the financial statements.

The Company's shares have been listed on the GEM since 27th July, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

SEGMENT INFORMATION

Details of segment information are set out in note 3 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement.

The directors do not recommend the payment of any dividend in respect of the period ended 31st March, 2002.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the three years ended 31st March, 2002 is set out on page 67 and 68.

FIXED ASSETS

The Group purchased fixed assets amounted to approximately HK\$1,147,000 during the year. Details of movements in fixed assets of the Company and the Group are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options are set out in notes 23 and 24 respectively to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March, 2002, the Company's distributable reserves amounted to HK\$17,737,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed shares during the year.

Directors' Report

DIRECTORS

The directors who held office during the year were:–

Executive Directors:

Mr. Li Sze Tang

Mr. Wong Hoi Wong

Ms. Wanzi Huang

Independent Non-Executive Directors:

Ms. Li Zhe (appointed on 5th July, 2001)

Mr. Kwok Ming Wa (appointed on 5th July, 2001)

In accordance with Article 116 of the Company's Articles of Association, Mr. Wong Hoi Wong shall retire and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with Article 99 of the Company's Articles of Association, Ms. Li Zhe and Mr. Kwok Ming Wa shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing on 1st April, 2001 which is subject to termination by not less than three months' written notice served by the Company to the directors.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as disclosed in note 31 to the financial statements, no other contracts of significance to which the Company or any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2002, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:–

Name of Director	Number of Shares Held and Nature of Interests			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Li Sze Tang	404,850,000	–	–	–
Wong Hoi Wong (Note)	–	–	–	834,425,000
Wanzi Huang	69,725,000	–	–	–

Note: These shares are registered in the name of Eaglemax International Investment Limited ("EIIIL"), a company owned by Intelligent Management Limited ("IML") as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust, the objects of which include Mr. Wong Hoi Wong, his family and any charity in the world. As at 31st March, 2002, Mr. Wong Hoi Wong held the entire issued share capital of IML.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share option scheme" below.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed on 6th July, 2001, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time executive director or employee of a company within the Group. The Scheme shall remain in force for 10 years from 6th July, 2001 during which the directors may make offer to grant share options to eligible participants.

Pursuant to the terms of the Scheme, the maximum number of shares options permitted to be granted is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue as at the date of commencement of dealings of the Company's shares on the GEM (unless further shareholders' approval has been obtained) (See remark (i)) and the maximum number of shares issuable under share options to each participant in the Scheme shall not exceed 25% of the maximum number of share options which may be granted under the Scheme (See remark (ii)).

Directors' Report

SHARE OPTION SCHEME (Cont'd)

Remarks: Since the adoption of the Scheme on 6th July, 2001, amendments have been made to Chapter 23 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") in respect of Share Option Scheme whereby if the Company wishes to continue to grant options under the Scheme on or after 1st October, 2001, it must also comply with the requirements set out therein.

- (i) with effect from 1st October, 2001, the maximum number of the Company's shares which can be granted under the Scheme and any other schemes must not exceed 10% of the Company's shares in issue at the date of approval.
- (ii) with effect from 1st October, 2001, the maximum number of the Company's shares which can be granted to each participant must not in any 12-month period exceed 1% of the Company's shares in issue.

Any grant of share options to a connected person (as defined in the GEM Listing Rules) must be approved by the independent non-executive directors. Where share options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of his/her respective associates, and the proposed grant of share options, when aggregate with the options already granted to that connected person in the past 12-month period, would entitle him/her to receive more than 0.1% of the total issued share capital of the Company for the time being and the value of which is in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders of the Company in general meetings.

The consideration for the grant of an option is HK\$1 each. An option may be exercised at any time during a period as determined by the directors which shall not be less than three years and not more than ten years from the date of acceptance of options offered under the Scheme by the grantee.

SHARE OPTION SCHEME (Cont'd)

The following share options were granted under the Scheme during the year:–

Grantee	Number of Share Options Granted During the Year and at 31.3.2002 (Note 2)	Date of Grant	Exercise Price Per Share (Note 3) HK\$	Exercise Period (Note 1)	Price of Company's Shares at Date of Grant (Note 4) HK\$
Executive Director					
Mr. Li Sze Tang	3,280,000*	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	3.15
Mr. Wong Hoi Wong	1,640,000	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	3.15
Ms. Wanzi Huang	16,540,000	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	3.15
2 employees (excluding Mr. Li Sze Tang's spouse)	18,180,000	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	3.15
	<u>39,640,000</u>				

* The number of share options granted to Mr. Li Sze Tang included 1,640,000 share options granted to Mr. Li Sze Tang's spouse who is also an employee of the Group.

The exercise price is to be determined by the directors in its absolute discretion but in any event not less than the highest of (i) the nominal value of the shares of the Company; (ii) the average of the closing prices of the shares of the Company on the GEM for the five trading days immediately preceding the date on which the relevant option is granted to the employee; and (iii) the closing price of the shares of the Company on the GEM on the date on which the relevant option is granted.

At 31st March, 2002, the number of shares to be issued or exercised under share options granted under the Scheme was 39,640,000 which remains outstanding.

Directors' Report

SHARE OPTION SCHEME (Cont'd)

Note:

1. The vesting period of the share options is the same as the exercise period.
2. The number of share options has been adjusted for the subdivision of the Company's shares on 23rd January, 2002.
3. The exercise price of the share options has been adjusted for the subdivision of the Company's shares on 23rd January, 2002.
4. The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price on the GEM on the trading day immediately prior to the date of the grant of the options.
5. Details of the subdivision of the Company's shares on 23rd January, 2002 are set out in note 23(v) to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those as disclosed under the sections headed "Directors' interests in securities" and "Share option scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:–

Name	Number of Shares Held	Percentage of Shareholding
EIIL	834,425,000	50.43%
Li Sze Tang	404,850,000	24.47%

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' interests in securities" and "Substantial shareholders" above, as at 31st March, 2002, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and was able, as a practical matter, to direct or influence the management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the purchases from the five largest suppliers of the Group accounted for approximately 87.98% of the total purchases of the Group and the purchases from the largest supplier included therein accounted for approximately 33.56%.

The sales to the five largest customers of the Group accounted for approximately 65.27% of the total sales for the year and the sales to the largest customer included therein accounted for approximately 25.66%.

None of the directors, their respective associates and shareholders of the Company (which to the knowledge of the directors own more than 5% of the issued share capital of the Company) had any interest in any of the five largest customers and suppliers of the Group for the year.

CONNECTED TRANSACTIONS

Details of connected transactions under the GEM Listing Rules during the year are set out in note 31 to the financial statements.

COMPETING INTERESTS

None of the directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, CSC Asia Limited ("CSC"), neither CSC nor any of its directors, employees or associates had any interests in any shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group as at 31st March, 2002.

Pursuant to the sponsorship agreement dated 19th July, 2001 entered into between the Company and CSC, CSC will act as the Company's continuing sponsor for the period from 27th July, 2001 to 31st March, 2004.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since the listing of its shares on the GEM on 27th July, 2001.

AUDIT COMMITTEE

The Company established an Audit Committee in August 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises two independent non-executive directors, namely Ms. Li Zhe and Mr. Kwok Ming Wa.

Since its establishment, the audit committee has met four times to review the results of the Group.

Directors' Report

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Li Sze Tang

Chairman

Hong Kong, 19th June, 2002

Auditors' Report

梁學濂會計師事務所



26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

To the members of
Thiz Technology Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 38 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31st March, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 19th June, 2002

Consolidated Income Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	4	30,392	4,315
Cost of sales		(16,559)	(2,852)
Gross profit		13,833	1,463
Other revenue	4	774	358
Selling and distribution expenses		(605)	(817)
General and administrative expenses		(12,821)	(7,063)
Profit/(loss) from operations		1,181	(6,059)
Finance costs		(122)	–
Share of loss of a jointly controlled entity		(625)	(160)
Profit/(loss) before taxation	5	434	(6,219)
Taxation	8	(6)	(6)
Profit/(loss) attributable to shareholders	9	428	(6,225)
Dividend	10	–	–
Earnings/(loss) per share - Basic (in cents)	11	0.03	(0.45)
- Diluted (in cents)		0.03	N/A

Consolidated Balance Sheet

At 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Non-Current Assets			
Fixed assets	12	1,104	348
Interest in a jointly controlled entity	14	394	16
Product development costs	15	3,312	–
		4,810	364
Current Assets			
Inventories	16	17	19
Trade receivables	17	5,291	242
Other receivables, deposits and prepayments		3,342	1,133
Amount due from a jointly controlled entity		–	1
Pledged time deposit	18	300	–
Cash and bank balances	19	14,615	503
		23,565	1,898
Deduct:			
Current Liabilities			
Trade payables	20	906	378
Other payables, accruals and deposits received		2,054	667
Amounts due to directors	21	65	2,101
Amounts due to related companies	21	–	379
Loans from shareholders	22	–	9,923
Taxation		12	6
		3,037	13,454
Net Current Assets/(Liabilities)		20,528	(11,556)
Net Assets/(Liabilities)		25,338	(11,192)
Representing:–			
Share Capital	23	16,545	1
Reserves	25	8,793	(11,193)
Shareholders' Funds/(Capital Deficiency)		25,338	(11,192)

Approved and authorised for issue by the Board of Directors on 19th June, 2002

Li Sze Tang
Director

Wong Hoi Wong
Director

Balance Sheet

At 31st March, 2002

	Note	2002 HK\$'000
Non-Current Assets		
Fixed assets	12	250
Interests in subsidiaries	13	33,617
		<u>33,867</u>
Current Assets		
Other receivables, deposits and prepayments		436
Pledged time deposit	18	300
Cash and bank balances		730
		<u>1,466</u>
Deduct:		
Current Liabilities		
Accruals		1,051
Net Current Assets		<u>415</u>
Net Assets		<u>34,282</u>
Representing:–		
Share Capital	23	16,545
Reserves	25	17,737
Shareholders' Funds		<u>34,282</u>

Approved and authorised for issue by the Board of Directors on 19th June, 2002

Li Sze Tang
Director

Wong Hoi Wong
Director

Consolidated Cash Flow Statement

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net Cash Outflow from Operating Activities	26	(6,274)	(3,481)
Returns on Investments and Servicing of Finance			
Interest received		179	12
Interest paid		(122)	–
Net Cash Inflow from Returns on Investments and Servicing of Finance		57	12
Taxation			
Overseas profits tax paid		–	(6)
Investing Activities			
Investment in a jointly controlled entity		–	(50)
Advance to a jointly controlled entity		(1,002)	(127)
Payments to acquire fixed assets		(1,147)	(92)
Product development expenditure incurred		(3,396)	–
Net Cash Outflow from Investing Activities		(5,545)	(269)
Net Cash Outflow before Financing		(11,762)	(3,744)
Financing	27		
Placing of shares		30,940	1
Share issue expenses		(4,766)	–
Loans from shareholders		–	3,617
Net Cash Inflow from Financing		26,174	3,618
Increase/(Decrease) in Cash and Cash Equivalents		14,412	(126)
Cash and Cash Equivalents at 1st April		503	629
Cash and Cash Equivalents at 31st March		14,915	503
Analysis of the Balances of Cash and Cash Equivalents			
Cash and bank balances		14,615	503
Pledged time deposit		300	–
		14,915	503

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Exchange differences on translation of the financial statements of foreign subsidiaries	25	5	–
Net gain not recognised in the consolidated income statement		5	–
Profit/(loss) attributable to shareholders	25	428	(6,225)
Total recognised gains/(losses)		433	(6,225)

Notes to Financial Statements

For the year ended 31st March, 2002

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2000 Revision) of the Cayman Islands on 6th December, 2000.

On 5th July, 2001, pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM”), the Company acquired the entire issued share capital of Thiz Technology Group (BVI) Holdings Limited (“Thiz BVI”) and the benefits of loans of approximately HK\$9,923,000 advanced by Mr. Li Sze Tang and Mr. Wong Hoi Wong to Thiz BVI in consideration of and exchange for the allotment and issue of 209,519 shares of HK\$0.10 each and 69,380 shares of HK\$0.10 each, respectively in the share capital of the Company credited as fully paid and thereafter the Company became the holding company of its subsidiaries. Details of the Reorganisation are set out in the prospectus issued by the Company dated 20th July, 2001.

The shares of the Company were listed on the GEM on 27th July, 2001.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:–

(a) Basis of Preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants and are prepared under the historical cost convention.

The Group resulting from the Reorganisation as defined in note 1 above is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on a merger accounting basis as if the Company had always been the holding company of the Group in accordance with SSAP 27 “Accounting for group reconstruction”.

In the current year, the Group has adopted the following SSAPs for the first time:–

–	SSAP 14 (revised)	:	“Leases”
–	SSAP 26	:	“Segment reporting”
–	SSAP 28	:	“Provisions, contingent liabilities and contingent assets”
–	SSAP 29	:	“Intangible assets”
–	SSAP 30	:	“Business combinations”
–	SSAP 31	:	“Impairment of assets”
–	SSAP 32	:	“Consolidated financial statements and accounting for investments in subsidiaries”

The effect of adopting these new and revised SSAPs is set out in the accounting policies below.

Notes to Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Basis of Consolidation

The Reorganisation has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, corporate and financing expenses.

(d) Revenue Recognition

Distribution income of Linux based software products developed by the Group is recognised when the right to receive payment is established.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Commission income is recognised when the services are rendered.

Income from rendering of artwork and Web design services is recognised at the time the services are provided.

Rental income is recognised on a straight line basis over the term of the lease.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

The gain or loss on disposal of the fixed assets representing the difference between the net sales proceeds and the carrying amounts of the relevant assets is recognised in the income statement.

Depreciation is calculated to write off the costs of fixed assets on a straight line basis over the following estimated useful lives:—

Office equipment	–	3 years to 7 years
Computer equipment	–	3 years
Furniture and fixtures	–	5 years to 7 years

(f) Subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(g) Jointly Controlled Entity

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in a jointly controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Notes to Financial Statements

For the year ended 31st March, 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Research and Development Costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight line basis over the expected economic useful lives of the products, subject to a maximum period of five years commencing in the year when the products are put into commercial production.

(i) Impairment of Assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Leases

In the current year, the Group has adopted SSAP 14 (revised) "Leases" for the first time.

The revised SSAP has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been made. Disclosures for all the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

(l) Pension Schemes

The pension costs charged in the income statement represent the contribution payable in respect of the current year to the pension schemes.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(o) Foreign Currency Translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

On consolidation, the financial statements of the Company's subsidiaries which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. All exchange differences arising from translation are dealt with as movements in exchange reserve.

(p) Deferred Taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(q) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(r) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

Notes to Financial Statements

For the year ended 31st March, 2002

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:–

- (a) the software development segment engages in development and sales of Linux based software products; and
- (b) the computer products segment engages in B2B e-commerce in respect of trading of computer accessories.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business Segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

	Software Development		Computer Products		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:–						
Sales to external customers	13,905	1,323	16,487	2,992	30,392	4,315
Segment results	4,927	(743)	(2,017)	(3,122)	2,910	(3,865)
Interest income					179	12
Unallocated income					553	346
Unallocated expenses					(2,461)	(2,552)
Profit/(loss) from operations					1,181	(6,059)
Finance costs					(122)	–
Share of loss of a jointly controlled entity	(625)	(160)			(625)	(160)
Profit/(loss) before taxation					434	(6,219)
Taxation					(6)	(6)
Profit/(loss) attributable to shareholders					428	(6,225)

3. SEGMENT INFORMATION (Cont'd)

(a) Business Segments (Cont'd)

	Software Development		Computer Products		Unallocated		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment assets	11,731	203	14,759	1,917	-	-	26,490	2,120
Interest in a jointly controlled entity	394	16	-	-	-	-	394	16
Unallocated assets	-	-	-	-	1,491	126	1,491	126
Total assets	12,125	219	14,759	1,917	1,491	126	28,375	2,262
Segment liabilities	629	60	1,255	10,970	-	-	1,884	11,030
Unallocated liabilities	-	-	-	-	1,153	2,424	1,153	2,424
Total liabilities	629	60	1,255	10,970	1,153	2,424	3,037	13,454
Other segment information:-								
Depreciation	90	37	42	70	45	-	177	107
Amortisation	84	-	-	-	-	-	84	-
							261	107
Capital expenditure	548	1	317	91	282	-	1,147	92

(b) Geographical Segments

The following tables present revenue, assets and expenditure information for the Group's geographical segments.

	Hong Kong		Taiwan		Other		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:-								
Sales to external customers	12,594	4,075	12,446	-	5,352	240	30,392	4,315
Other segment information:-								
Segment assets	22,155	1,597	2,285	-	2,050	523	26,490	2,120
Capital expenditure	625	92	148	-	374	-	1,147	92

Notes to Financial Statements

For the year ended 31st March, 2002

4. TURNOVER AND REVENUE

Turnover represents the invoiced value of computer products sold and Group's Linux based software products distributed, commission income, artwork and Web design services rendered, after allowances for returns and discounts and net of value-added tax.

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

	2002 HK\$'000	2001 HK\$'000
Turnover:–		
Distribution of Group's Linux based software products	13,888	850
Sales of computer products	16,484	2,963
Commission income from sales of computer products	3	29
Artwork and Web design services income	17	473
	<u>30,392</u>	<u>4,315</u>
Other revenue:–		
Interest income	179	12
Other commission income	219	–
Rental income from sub-lease of land and buildings	–	314
Sundry income	376	32
	<u>774</u>	<u>358</u>
Total revenue	<u>31,166</u>	<u>4,673</u>

5. PROFIT/(LOSS) BEFORE TAXATION

	2002 HK\$'000	2001 HK\$'000
Profit/(loss) before taxation is arrived at after charging/(crediting):–		
Cost of inventories sold	16,196	2,749
Depreciation	177	107
Amortisation of product development costs	84	–
Minimum lease payments under operating leases:–		
Land and buildings	1,184	1,034
Servers	137	315
	1,321	1,349
Less: Amounts capitalised as product development costs	(194)	–
	1,127	1,349
Auditors' remuneration	313	60
Staff costs (excluding directors' remuneration)		
Salaries and other benefits	7,245	2,280
Pension contributions	238	40
	7,483	2,320
Less: Amounts capitalised as product development costs	(2,957)	–
	4,526	2,320
Interests on bank borrowings wholly repayable within five years	122	–
Provision for inventories (Note #)	155	–
Loss on disposal of fixed assets	12	2
Net exchange (gain)/loss	(45)	1

Note #: The provision for inventories is included in cost of sales in the income statement.

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
(a) Directors		
Executive directors:–		
Fees	–	–
Other emoluments		
Salaries and other benefits	2,535	2,106
Pension contributions	24	7
	2,559	2,113
Independent non-executive directors:–		
Fees	180	–
Total directors' emoluments	2,739	2,113

Notes to Financial Statements

For the year ended 31st March, 2002

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors (Cont'd)

For the year ended 31st March, 2002, the three executive directors received emoluments of approximately HK\$1,026,000, HK\$1,026,000 and HK\$507,000 respectively and the two independent non-executive directors received emoluments of HK\$90,000 and HK\$90,000 respectively.

For the year ended 31st March, 2001, the three executive directors received emoluments of approximately HK\$939,000 and HK\$940,000 and HK\$234,000 respectively. The Company did not have independent non-executive directors during the year ended 31st March, 2001.

The emoluments of the directors were within the following bands:-

	Number of Directors	
	2002	2001
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	2	—

During the year, 19,820,000 share options were granted to the executive directors in respect of their services to the Group, further details of which are set under the section headed "Share option scheme" in the directors' report.

No directors have waived any emoluments during the year.

(b) Five Highest Paid Employees

During the year, the five highest paid employees included three (2001: three) executive directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two highest paid employees were as follows:-

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	866	347
Pension contributions	23	6
	889	353

The emoluments of the employees were within the following band:-

	Number of Employees	
	2002	2001
Nil to HK\$1,000,000	2	2

During the year, 3,280,000 share options were granted to the above two non-director highest paid employees in respect of their services to the Group, further details of which are set out under the section headed "Share option scheme" in the directors' report.

No emoluments were paid by the Group to the five highest paid employees, including directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office.

7. PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of those employees who are eligible to participate in the scheme. The MPF Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This PRC subsidiary is required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the annual contributions.

During the year, the Group made pension contributions of HK\$262,000 (2001: HK\$47,000).

8. TAXATION

	2002 HK\$'000	2001 HK\$'000
The Group		
Hong Kong profits tax	–	–
Elsewhere	6	6
	<u>6</u>	<u>6</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profits.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the year.

The components of the unprovided deferred tax asset/(liability) are as follows:–

	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	(40)	(17)
Unutilised tax losses	1,466	874
Net deferred tax asset	<u>1,426</u>	<u>857</u>

Net deferred tax asset has not been recognised owing to uncertainty regarding the Group's future operating results.

Notes to Financial Statements

For the year ended 31st March, 2002

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders, a loss of HK\$1,836,000 has been dealt with in the financial statements of the Company.

10. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the year ended 31st March, 2002 is based on the profit attributable to shareholders of HK\$428,000 and the weighted average of 1,571,158,000 ordinary shares that would have been in issue throughout the year as if the Company had been the holding company of the Group since the beginning of the year.

The calculation of diluted earnings per share for the year ended 31st March, 2002 is based on the profit attributable to shareholders of HK\$428,000. The weighted average number of ordinary shares used in the calculation is the 1,571,158,000 ordinary shares, as used in the basic earnings per share calculation and the weighted average of 6,342,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options on the date when the share options were granted. No diluted loss per share for the year ended 31st March, 2001 has been presented as the potential shares issuable under the share options granted are anti-dilutive.

The calculation of the basic loss per share for the year ended 31st March, 2001 is based on the loss attributable to shareholders of HK\$6,225,000 and on the 1,394,500,000 shares in issue immediately preceding the new issue of 260,000,000 shares as adjusted for the subdivision of shares of the Company as set out in note 23(v) to the financial statements.

12. FIXED ASSETS

	Computer Equipment HK\$'000	Office Equipment HK\$'000	Furniture and Fixtures HK\$'000	Total HK\$'000
(i) The Group				
Cost:–				
At 1st April, 2001	129	229	184	542
Additions	527	331	289	1,147
Disposals	–	(194)	(144)	(338)
At 31st March, 2002	656	366	329	1,351
Aggregate depreciation:–				
At 1st April, 2001	59	77	58	194
Charge for the year	101	37	39	177
Written back on disposals	–	(68)	(56)	(124)
At 31st March, 2002	160	46	41	247
Net book value:–				
At 31st March, 2002	496	320	288	1,104
At 31st March, 2001	70	152	126	348
(ii) The Company				
Cost:–				
Additions and at 31st March, 2002	117	19	148	284
Aggregate depreciation:–				
Charge for the period and at 31st March, 2002	16	3	15	34
Net book value:–				
At 31st March, 2002	101	16	133	250

Notes to Financial Statements

For the year ended 31st March, 2002

13. INTERESTS IN SUBSIDIARIES

	2002 HK\$'000
Unlisted shares, at cost	21
Amounts due from subsidiaries	33,596
	33,617

The amounts are interest-free, unsecured and have no fixed terms of repayment.

The details of the subsidiaries are as follows:–

Name	Place of Incorporation/ Registration and Operations	Nominal Value of Issued Ordinary Shares/ Registered Capital	Percentage of Equity Attributable to the Company		Principal Activities
			Directly	Indirectly	
Thiz BVI	British Virgin Islands	US\$100	100	–	Investment holding
THIZLINUX INC.	British Virgin Islands	US\$1	–	100	Investment holding
THIZBIZ INC.	British Virgin Islands	US\$1	–	100	Investment holding
Thiz.Com Inc.	British Virgin Islands	US\$200,000	–	100	Investment holding
Thiz.Com (Hong Kong) Limited	Hong Kong	HK\$10,000	–	100	Investment holding and provision of management services
PC Media, Inc.	United States of America	US\$50,000 Common stock	–	100	Dormant
Thiz Design Group Limited	Hong Kong	HK\$10,000	–	100	Web development and provision of management services
Thizlinux Laboratory Limited	Hong Kong	HK\$10,000	–	100	Development and sales of Linux based software products
Thizbiz Global Trade Limited	Hong Kong	HK\$10,000	–	100	B2B e-commerce

13. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of Incorporation/ Registration and Operations	Nominal Value of Issued Ordinary Shares/ Registered Capital	Percentage of Equity Attributable to the Company		Principal Activities
			Directly	Indirectly	
Thiz Electronics Company Limited (formerly known as The Bid Limited)	Hong Kong	HK\$10,000	–	100	Provision of management services
The Investment Exchange Limited	Hong Kong	HK\$10,000	–	100	Dormant
The Recruitment Database Limited	Hong Kong	HK\$10,000	–	100	Dormant
Thiz.Com (China) Limited	British Virgin Islands	US\$1	–	100	Dormant
英屬維京群島商 即時利尼克斯 有限公司臺灣分公司*	Taiwan	NT\$1,700,000	–	100	Sales of Linux based software products
Beijing ThizLinux Software Co., Limited	People's Republic of China ("PRC")	US\$250,000	–	100	Not yet commenced business

* Not audited by PKF, Hong Kong

Notes to Financial Statements

For the year ended 31st March, 2002

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	(735)	(110)
Loan to a jointly controlled entity	1,129	126
	<u>394</u>	<u>16</u>

The loan is interest-free, unsecured and no fixed terms of repayment.

The details of a jointly controlled entity are as follows:–

Name of Entity	Business Structure	Place of Incorporation/ Operation	Percentage of Ownership Interest	Principal Activity
Thiz Grandmass ERP Systems Limited	Corporate	Hong Kong	50	Software development

15. PRODUCT DEVELOPMENT COSTS

	2002 HK\$'000	2001 HK\$'000
Cost:–		
Additions and as at 31st March	3,396	–
Aggregate amortisation:–		
Charge for the year and as at 31st March	84	–
	<u>3,312</u>	<u>–</u>

16. INVENTORIES

	2002 HK\$'000	2001 HK\$'000
Linux based software products package/CD-ROM	<u>17</u>	<u>19</u>

17. 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 is normally given.

The following is an aged analysis of trade receivables at the balance sheet date:–

	2002 HK\$'000	2001 HK\$'000
0-30 days	5,220	242
31-60 days	46	–
61-90 days	5	–
Over 90 days	20	–
	<u>5,291</u>	<u>242</u>

18. PLEDGED TIME DEPOSIT

At 31st March, 2002, the time deposit has been pledged to a bank to secure general banking facilities of HK\$300,000 granted to the Group.

19. CASH AND BANK BALANCES

At 31st March, 2002, included in the Group's cash and bank balances were amounts of approximately HK\$2,000 (2001: nil) denominated in Renminbi ("RMB") and kept in the PRC. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20. TRADE PAYABLES

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

	2002 HK\$'000	2001 HK\$'000
0-30 days	899	378
31-60 days	7	–
	<u>906</u>	<u>378</u>

21. AMOUNTS DUE TO DIRECTORS AND RELATED COMPANIES

The amounts are interest free, unsecured and repayable on demand.

Notes to Financial Statements

For the year ended 31st March, 2002

22. LOANS FROM SHAREHOLDERS

The loans from shareholders of HK\$9,923,000 were capitalised by way of the allotment and issue of 69,380 shares of HK\$0.10 each in the share capital of the Company pursuant to the Reorganisation. Further details of the Reorganisation are set out in notes 1 and 23 to the financial statements.

23. SHARE CAPITAL

	Note	Number of Shares	HK\$'000
Authorised:–			
Ordinary shares of HK\$0.10 each			
At date of incorporation	(i)	1,000,000	100
Increase in authorised capital	(ii)	499,000,000	49,900
		<u>500,000,000</u>	<u>50,000</u>
Ordinary shares of HK\$0.01 each			
Subdivision of shares	(v)	4,500,000,000	–
At 31st March, 2002		<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:–			
Ordinary shares of HK\$0.10 each			
Issue of shares to initial subscriber	(i)	1	–
Issue of shares in accordance with the Reorganisation:			
– for acquisition of Thiz BVI	(iii)	209,519	21
– for capitalisation of shareholders' loans	(iii)	69,380	7
Placing of shares	(iv)	26,000,000	2,600
Issue of shares by capitalisation of the share premium account	(iv)	139,171,100	13,917
		<u>165,450,000</u>	<u>16,545</u>
Ordinary shares of HK\$0.01 each			
Subdivision of shares	(v)	1,489,050,000	–
At 31st March, 2002		<u>1,654,500,000</u>	<u>16,545</u>

- (i) The Company was incorporated on 6th December, 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. One share was allotted and issued at par for cash on that date.
- (ii) Pursuant to written resolutions of the sole shareholder of the Company passed on 5th July, 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 499,000,000 shares of HK\$0.10 each which rank pari passu with the then existing shares in all respects.

23. SHARE CAPITAL (Cont'd)

- (iii) On 5th July, 2001, pursuant to the Reorganisation, the then shareholders of Thiz BVI, the previous holding company of the Group, transferred the entire share capital in Thiz BVI to the Company, in consideration and in exchange for which the Company allotted and issued at par, credited as fully paid, 209,519 shares of HK\$0.10 each to the then shareholders.

On the same date, an aggregate of 69,380 shares of HK\$0.10 each were allotted and issued as consideration for the acquisition of the benefits of loans due to Mr. Li Sze Tang and Mr. Wong Hoi Wong of approximately HK\$9,923,000 in aggregate from Thiz BVI resulting in a credit to the share premium account of the Company amounted to HK\$9,916,000.

- (iv) Pursuant to written resolutions passed by the then shareholders of the Company on 6th July, 2001:-
- (a) On 26th July, 2001, 26,000,000 new shares of HK\$0.10 each were issued by way of placing at a premium of HK\$1.09 per share for cash (the "Placing"). The excess of the issue price over the par value of the shares issued upon the Placing totalling HK\$28,340,000 was credited to the share premium account of the Company.
- (b) On 26th July, 2001, immediately after the Placing, 139,171,100 shares of HK\$0.10 each were allotted and issued at par, credited as fully paid, to the shareholders in proportion to their respective shareholdings on the register of the members of the Company at the close of business on 6th July, 2001 by way of the capitalisation of the share premium available.
- (v) On 23rd January, 2002, pursuant to written resolutions passed by the shareholders of the Company, each of the existing issued and unissued shares of HK\$0.10 each be subdivided into ten shares of HK\$0.01 each ("Subdivided Shares") in the capital of the Company. The Subdivided Shares will rank *pari passu* in all respects with the then existing shares.

For the purpose of the preparation of the financial statements, the balance of the share capital shown in the consolidated balance sheet at 31st March, 2001 represented the issued capital of Thiz BVI which was acquired by the Company on 5th July, 2001 pursuant to the Reorganisation.

24. SHARE OPTIONS

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the section headed "Share option scheme" in the directors' report.

During the year, the Company granted a total of 39,640,000 share options (as adjusted for the subdivision of shares of the Company on 23rd January, 2002) under the Scheme for a nominal consideration of HK\$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 30th June, 2002 to 29th June, 2012. The subscription price per share payable upon the exercise of these options is HK\$0.315 (as adjusted for the subdivision of shares of the Company on 23rd January, 2002), subject to adjustment.

At the balance sheet date, the exercise in full of the share options granted will result in the issue of an additional 39,640,000 shares of HK\$0.01 each with corresponding proceeds of approximately HK\$12,487,000.

Notes to Financial Statements

For the year ended 31st March, 2002

25. RESERVES

	Note	Share Premium HK\$'000	Special Reserve HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
(i) The Group						
At 1.4.2000		–	380	–	(5,348)	(4,968)
Loss attributable to shareholders		–	–	–	(6,225)	(6,225)
At 31.3.2001 and 1.4.2001		–	380	–	(11,573)	(11,193)
Arising on the Reorganisation		–	(20)	–	–	(20)
Capitalisation of loans from shareholders	23(iii)	9,916	–	–	–	9,916
Premium arising on Placing	23(iv)	28,340	–	–	–	28,340
Share issue expenses		(4,766)	–	–	–	(4,766)
Capitalisation issue	23(iv)	(13,917)	–	–	–	(13,917)
Exchange adjustment on translation of the financial statements of foreign subsidiaries		–	–	5	–	5
Profit attributable to shareholders		–	–	–	428	428
At 31.3.2002		19,573	360	5	(11,145)	8,793
(ii) The Company						
Capitalisation of loans from shareholders	23(iii)	9,916	–	–	–	9,916
Premium arising on Placing	23(iv)	28,340	–	–	–	28,340
Share issue expenses		(4,766)	–	–	–	(4,766)
Capitalisation issue	23(iv)	(13,917)	–	–	–	(13,917)
Loss for the period		–	–	–	(1,836)	(1,836)
At 31.3.2002		19,573	–	–	(1,836)	17,737

Note: (a) The special reserve of the Group represents the difference between the nominal value of shares of the Company and the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation.

(b) The Company had distributable reserves of approximately HK\$17,737,000 at 31st March, 2002. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium is distributable to the shareholders of the Company, provided that immediately following the date on which the dividends is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

26. RECONCILIATION OF PROFIT/(LOSS) FROM OPERATIONS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit/(loss) from operations	1,181	(6,059)
Depreciation	177	107
Amortisation	84	–
Provision for inventories	155	–
Interest income	(179)	(12)
Loss on disposal of fixed assets	12	2
Increase in inventories	(153)	(19)
Increase in trade receivables	(5,049)	(172)
Increase in other receivables, deposits and prepayments	(2,209)	(901)
Decrease in amounts due from related companies	–	401
Increase in trade payables	528	298
Increase in other payables, accruals and deposits received	1,387	402
(Decrease)/increase in amounts due to directors	(1,834)	2,093
(Decrease)/increase in amounts due to related companies	(379)	379
Effect on foreign exchange rate changes	5	–
Net cash outflow from operating activities	(6,274)	(3,481)

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital HK\$'000	Share Premium HK\$'000	Loans from Shareholders HK\$'000
At 1.4.2000	–	–	6,306
Issue of shares of Thiz BVI	1	–	–
Cash inflow from financing	–	–	3,617
At 31.3.2001 and 1.4.2001	1	–	9,923
Placing	2,600	28,340	–
Share issue expenses	–	(4,766)	–
Arising on the Reorgainsation:–			–
Acquisition of Thiz BVI	20	–	–
Capitalisation of shareholders' loans	7	9,916	(9,923)
Capitalisation issue	13,917	(13,917)	–
At 31.3.2002	16,545	19,573	–

Notes to Financial Statements

For the year ended 31st March, 2002

28. MAJOR NON-CASH TRANSACTIONS

The major non-cash transactions of the Group consisted of the acquisition of Thiz BVI and the capitalisation of the loans from shareholders pursuant to the Reorganisation. Further details are set out in notes 1 and 23 to the financial statements.

29. OPERATING LEASES ARRANGEMENT

As at 31st March, 2002, the Group and the Company had outstanding commitments under non-cancellable operating leases in respect of the land and buildings, which fall due as follows:–

	Group		Company
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Within one year	1,455	318	634
In the second to fifth years inclusive	1,299	–	–
	<u>2,754</u>	<u>318</u>	<u>634</u>

Operating lease payments represent rentals payable by the Group and the Company for their office premises. Leases are negotiated for an average term of two years with fixed monthly rentals.

30. CONTINGENT LIABILITIES

As at 31st March, 2002, the Group and the Company had no material contingent liabilities.

31. RELATED PARTY TRANSACTIONS

Apart from the transactions as disclosed in notes 21 and 22 to the financial statements, the Group had the following material transactions with its related parties during the year:–

	Note	2002 HK\$'000	2001 HK\$'000
Rentals paid on office premises sub-let from First Asia Finance Group Limited ("FAFGL")	(i)	172	147
Office rentals paid to Mr. Wong Hoi Wong	(ii)	30	24
Disposal of fixed assets to Mr. Wong Hoi Wong	(iii)	202	–
Acquisition of fixed assets from FAFGL	(iii)	107	–
Purchases of computers and accessories from Dragon System Development Limited ("DSDL")	(iv)	276	1,700
Rentals paid on office premises sub-let from DSDL	(v)	123	–
Artwork services rendered to Onspeed Technologies Company Limited ("OTCL")	(vi)	–	318
Distribution income of Linux based software products generated from sales of computers of DSDL	(vii)	–	9
Commission income from DSDL	(viii)	–	29

Note:

- (i) One of the office premises occupied by the Group was sub-let from FAFGL. The rentals paid by the Group were identical to the rentals paid by FAFGL as the head tenant to the landlord as the office premises were wholly occupied by the Group. Mr. Li Sze Tang is a director and substantial shareholder of FAFGL.
- (ii) The rentals paid were based on the then prevailing market rent. On 9th April, 2001, Mr. Wong Hoi Wong assigned the property occupied by the Group to an independent third party who has agreed to observe the terms and conditions of the original tenancy agreement between Mr. Wong Hoi Wong and the Group.
- (iii) The transactions were entered into by reference to the book carrying values of fixed assets.
- (iv) Mr. Wong Hoi Wong is a shareholder and director of the ultimate holding company of DSDL. Mr. Li Sze Tang is a shareholder and director of a company which is one of the shareholders of DSDL. The transactions were carried out on normal commercial terms and discontinued after the listing of the Company's shares on the GEM.
- (v) The rentals paid were based on the then prevailing market rent.

Notes to Financial Statements

For the year ended 31st March, 2002

31. RELATED PARTY TRANSACTIONS (Cont'd)

Note: (Cont'd)

- (vi) Mr. Wong Hoi Wong is a shareholder and director of the ultimate holding company of OTCL. Mr. Li Sze Tang, a director of the Company is also a shareholder and director of a company which is one of the shareholders of OTCL. Artwork services were rendered to OTCL at cost plus a profit mark-up of 80%. The transactions were carried out on normal commercial terms and discontinued after the listing of the Company's shares on the GEM.
- (vii) In connection with the Group's sales of computers of DSDL referred to in (iv) above. The Group charged DSDL at a standard fee per unit of the computer sold with Linux based software products to the customers.
- (viii) The Group acts as a commission agent of DSDL for selling its products through the B2C Internet platform and its existing channel with effect from 1st December, 2000. The 6% selling commission paid by DSDL is the same as the standard rate charged by the Group to its clients who join the Group's B2C platform.

The transactions set out in (i) to (viii) above also constituted connected transactions under the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"). The directors have reviewed the transactions and are of the opinion that these transactions were carried out in the normal course of business of the Group and on normal commercial terms.

32. POST BALANCE SHEET EVENTS

- (a) On 28th March, 2002, a joint venture agreement was entered into by the Company, Eaglemax International Investment Limited ("EIL"), a company wholly owned by Mr. Wong Hoi Wong, and Beijing Normal University ("BNU") in relation to the formation of a joint venture, JingShi Thizlinux Laboratory Stock Company (the "JV"). Pursuant to the joint venture agreement (which is not legally binding until the entering into of the joint venture supplemental agreement dated 3rd June, 2002 as detailed below), the Company, EIL and BNU will contribute RMB15,000,000, RMB15,000,000 and RMB20,000,000 respectively for their respective interests of 30%, 30% and 40% in the JV.

On 3rd June, 2002, the Company, EIL and BNU have entered into a joint venture supplemental agreement whereby the three parties shall set up/develop the 100 JingShi Thizlinux Internet Course Programs (the "Programs"). Under the joint venture supplemental agreement, each of the Company and EIL is committed to investing RMB10,000,000 for the development of the Programs whereas BNU is not required to invest capital but will be responsible for the development, design of the courses and the provision of course contents.

The entering into of the aforementioned agreements constitutes major and connected transaction for the Company, which is subject to the approval of shareholders of the Company except EIL and its associates under the GEM Listing Rules.

Further details are set out in the announcement dated 3rd June, 2002.

- (b) On 6th May, 2002, the Group acquired an additional 50% interest in a jointly controlled entity, Thiz Grandmass ERP Systems Limited ("Thiz ERP") at a consideration of HK\$50,000 and thereafter Thiz ERP became a wholly owned subsidiary of the Company.

33. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be Intelligent Management Limited, a company incorporated in the British Virgin Islands.

Financial Summary

RESULTS

	Year ended 31st March,		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	30,392	4,315	34,923
Profit/(Loss) from Operations	1,181	(6,059)	(1,828)
Finance Costs	(122)	–	–
Share of Loss of a Jointly Controlled Entity	(625)	(160)	–
Profit/(Loss) before Taxation	434	(6,219)	(1,828)
Taxation	(6)	(6)	(12)
Profit/(Loss) Attributable to Shareholders	428	(6,225)	(1,840)

Note:

The results of the Group for each of the three years ended 31st March, 2002 presented above include the results of the Company and its subsidiaries with effect from 1st April, 1999 or since their respective dates of incorporation/establishment, where this is a shorter period, on the basis that the current group structure had been in existence throughout the said period.

Financial Summary

ASSETS AND LIABILITIES

	As at 31st March,		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-Current Assets	4,810	364	365
Current Assets	23,565	1,898	1,415
Deduct:			
Current Liabilities	3,037	13,454	6,740
Net Current Assets/(Liabilities)	20,528	(11,556)	(5,325)
Net Assets/(Liabilities)	25,338	(11,192)	(4,960)

Note:

1. The assets and liabilities of the Group as at 31st March, 2000 and 2001 presented above include the assets and liabilities of the Company and its subsidiaries on the basis that the current group structure had been in existence as at the respective dates as set out in the prospectus of the Company dated 20th July, 2001.
2. The assets and liabilities of the Group as at 31st March, 2002 are extracted from the consolidated balance sheet as set out on page 39 of the financial statements.

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