



即時科研集團有限公司*
Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2002

* *For identification purpose only*

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

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

SUMMARY

- The Group recorded a turnover of approximately HK\$51,216,000 for the nine months ended 31st December, 2002.
- Profit attributable to shareholders was approximately HK\$15,583,000.
- The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the nine months ended 31st December, 2002.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31st December, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	<i>Notes</i>	For the three months ended 31st December,		For the nine months ended 31st December,	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	13,509	7,670	51,216	14,309
Cost of sales		(1,539)	(4,640)	(14,130)	(9,237)
Gross profit		11,970	3,030	37,086	5,072
Other income		9	163	68	424
Operating expenses		(4,748)	(4,852)	(21,571)	(10,571)
Profit/(Loss) from operations		7,231	(1,659)	15,583	(5,075)
Share of loss of a jointly controlled entity	3(i)	–	(191)	–	(618)
Provision for amount due from a jointly controlled entity	3(ii)	–	(391)	–	(391)
Profit/(Loss) before tax		7,231	(2,241)	15,583	(6,084)
Taxation	4	–	–	–	–
– Hong Kong		–	–	–	–
– Elsewhere		–	–	–	(2)
Profit/(Loss) for the period		7,231	(2,241)	15,583	(6,086)
Dividend		–	–	–	–
Earnings/(Loss) per share					
– Basic (in cents)	5	0.44	(0.14)	0.94	(0.39)

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong. The principal accounting policies and methods of computation adopted in preparing the unaudited consolidated results are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2002, except that the Group has adopted SSAP 11 (revised) “Foreign Currency Translation” and SSAP 34 “Employee Benefits”. In the opinion of the Directors, the adoption of these revised and new SSAPs does not have a material impact on the results of the Group.

2. Turnover

Turnover represents the invoiced value of Linux related products sold, distribution income, Linux related services and Web design services rendered and commission income/invoiced value of computer products sold, after allowances for returns and discounts and net of value-added tax .

3. A jointly controlled entity

On 6th May, 2002, the Group acquired an additional 50% interest in 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.

(i) Share of loss of a jointly controlled entity

The amount represents the share of loss of Thiz ERP for the nine months ended 31st December, 2001.

(ii) Provision for amount due from a jointly controlled entity

The amount represents a provision for amount due from Thiz ERP for the nine months ended 31st December, 2001.

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the nine months ended 31st December, 2002 and 31st December, 2001.

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 legislations, 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 periods.

5. Earnings/(Loss) per share

The calculation of basic earnings (2001: loss) per share for the three months and nine months ended 31st December, 2002 is based on net profit attributable to shareholders of approximately HK\$7,231,000 and HK\$15,583,000 (2001: net loss attributable to shareholders of HK\$2,241,000 and HK\$6,086,000) and the weighted average number of 1,646,060,000 shares and 1,650,295,345 shares in issue during the aforementioned two periods ended 31st December, 2002 (2001: 1,654,500,000 shares and 1,543,880,000 shares). The comparative weighted number of shares are restated taking into account the subdivision of shares from one to ten. No diluted earnings (2001: diluted loss) per share has been presented for the two periods ended 31st December, 2002 as the potential shares issuable under the share options granted would have an anti-dilutive effect.

6. Share Capital and Reserves

	Share Capital HK\$'000	Share Premium HK\$'000	Capital Redemption Reserve HK\$'000	Special Reserve HK\$'000	Exchange Reserve HK\$'000	(Accumulated Losses)/ Retained Profits HK\$'000	Total HK\$'000
As at 1st April, 2001	1	-	-	380	-	(11,573)	(11,192)
Placing	2,600	-	-	-	-	-	2,600
Arising on the reorganisation	20	-	-	(20)	-	-	-
Capitalisation of loans from shareholders	7	9,916	-	-	-	-	9,923
Premium arising on placing	-	28,340	-	-	-	-	28,340
Share issue expenses	-	(4,766)	-	-	-	-	(4,766)
Capitalisation issue	13,917	(13,917)	-	-	-	-	-
Loss for the period	-	-	-	-	-	(6,086)	(6,086)
As at 31st December, 2001	<u>16,545</u>	<u>19,573</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>(17,659)</u>	<u>18,819</u>
As at 1st April, 2002	16,545	19,573	-	360	5	(11,145)	25,338
Repurchase of own shares	(84)	(1,915)	84	-	-	(84)	(1,999)
Profit for the period	-	-	-	-	-	15,583	15,583
As at 31st December, 2002	<u>16,461</u>	<u>17,658</u>	<u>84</u>	<u>360</u>	<u>5</u>	<u>4,354</u>	<u>38,922</u>

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 Group's reorganisation on 5th July, 2001.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the nine months ended 31st December, 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the nine months ended 31st December, 2002, the Group's consolidated turnover amounted to HK\$51,216,000, representing a significant increase of 258% compared to HK\$14,309,000 of the corresponding period in 2001. During the period under review, profit from operations of the Group amounted to HK\$15,583,000, compared to a loss from operations of HK\$5,075,000 recorded in the corresponding period in 2001. Furthermore, profit attributable to shareholders for the nine months ended 31st December 2002 amounted to HK\$15,583,000, while the corresponding period in 2001 recorded a loss of HK\$6,086,000.

Business Development

In spite of the substantial improvement in the results of the Group compared to the corresponding period in 2001, the Group continues to actively explore sales and business opportunities, as well as cut down costs and enhance its market competitiveness. In addition to focusing on the Hong Kong and Taiwan markets, the Group continued to explore the PRC market and attracted vast opportunities, targeting the education sector as a potential lucrative market.

The Group held training programmes for Linux professionals and professionals specialised in applications in the PRC. Beijing Normal University introduced three courses, each having 270 students, on the Group's ThizLinux Desktop application operating systems and ThizOffice software applications in October 2002, pushing the Group's long term development to a new frontier.

During the period from October to December 2002, the Group entered into cooperation agreements with over 20 tertiary institutions in Beijing, to incorporate the Group's two elementary courses in ThizLinux Application Engineer, ThizLinux Network Engineer and two intermediate courses in ThizLinux System Engineer into those courses provided by the higher education institutions, while the Group provided them with standardised teaching materials and manuals. In particular, the Group entered into a cooperation agreement with School of Software, Peking University in December 2002. Other than providing courses in elementary application engineering, intermediate system and network engineering, the agreement also stipulates the provision of advanced courses in software engineering, including Linux kernel development technology, to the students of School of Software, Peking University, so as to nurture talents on Linux development technology, and establish an extensive database of human resources to support the long term development of the Group's ThizLinux software business.

Outlook

Alongside the successful introduction of ThizLinux training courses to universities in the PRC, the Group is set to promote the same training courses to universities in Hong Kong and Taiwan, so that more software engineers from the Greater China region will be able to take part in the development of Linux as well as to expand the Group's business in the Greater China region, and leveraging on the Group's position in the Greater China market, to achieve its goal in exploring the global market in a short period of time. Business development and guaranteed profitability are crucial to the Group's existence and ongoing operation. The Group is confident that with a new Board composition in line, it is set to welcome a rapid growth and impressive results by the end of the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2002, the interests of the Directors and their associates in the share capital of the Company or its associated corporations, 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:

	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Lin Chien Hsin ("Mr. Charles Lin")	150,000,000	–	–	–
Mr. Wong Hoi Wong ("Mr. Albert Wong")	–	–	–	560,000,000 (Note)
Ms. Wanzi Huang	69,725,000	–	–	–

Note: These 560,000,000 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

Save as disclosed above, none of the Directors had any personal, family, corporate or other interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance as at 31st December, 2002.

DIRECTORS' RIGHT TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

The Company adopted the Share Option Scheme (the "Scheme") on 6th July, 2001, pursuant to which it may grant options to full-time employees of the Group including executive directors of the Company to subscribe for shares in the Company.

As at 31st December, 2002, the following options had been granted to the following executive directors:

Grantee	Date of grant	Exercise price per share HK\$	Exercise period	No. of ordinary shares eligible for subscription under the option	Types of interest
Mr. Albert Wong	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	1,640,000	Personal
Ms. Wanzi Huang	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	16,540,000	Personal

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company or any body corporate, or had exercised any such right as at 31st December, 2002.

As at 31st December, 2002, save as disclosed below, no other options has been granted under the Scheme and none of the options granted has been exercised.

OUTSTANDING SHARE OPTION

As at 31st December, 2002, in addition to the options granted to executive directors as disclosed above, the following options had been granted to other participants.

Former director and 2 former employees	Date of grant	Exercise price per share HK\$	Exercise period	No. of ordinary shares eligible for subscription under the option
3 persons	21st November, 2001	0.315	30th June, 2002 to 29th June, 2012	19,820,000

According to the relevant terms of the Scheme, the share options are still exercisable within 3 months following the date of retirement or termination of employment. The above participants were granted share options but had resigned for a period less than 3 months as at 31st December, 2002.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, the following entities, not being a director or chief executive of the Company, had or was deemed to have interests of 10% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

	Number of ordinary shares held	Percentage of shareholding
Eaglemax International Investment Limited (<i>Note</i>)	560,000,000	34.02
Applied Component Technology Corporation	324,340,000	19.70

Note: These 560,000,000 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

MANAGEMENT SHAREHOLDERS

Save for the interests disclosed above in respect of the Directors, chief executive and their associates, the Directors are not aware of any person who, as at 31st December, 2002, was entitled to exercise or control the exercise of 5 per cent or more of the voting power at general meetings of the Company and who was able, as a practical matter, to direct or influence the management of the Company.

INTEREST OF THE SPONSOR

CSC Asia Limited ("CSC") had entered into a sponsorship agreement with the Company whereby, for a fee, CSC will act as the Company's continuing sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the period from 27th July, 2001 to 31st March, 2004.

None of CSC, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 31st December, 2002.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 31st December, 2002, the Company repurchased on the Stock Exchange a total of 8,440,000 ordinary shares of HK\$0.01 each in the share capital of the Company at an aggregate price of HK\$1,991,800 details of which are as follows:

Month of Repurchase	No. of shares Repurchased	Price per share		Aggregate Price Paid HK\$
		Highest HK\$	Lowest HK\$	
August 2002	<u>8,440,000</u>	<u>0.236</u>	<u>0.235</u>	<u>1,991,800</u>

The Directors of the Company considered that the above repurchases were made with a view to enhancing the net assets and earnings per share of the Company.

Those shares were cancelled shortly after repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st December, 2002.

AUDIT COMMITTEE

The Company has established an audit committee in August 2001 with its written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advices and comments to the Board.

The audit committee comprises two members, namely, Ms. Li Zhe and Mr. Kwok Ming Wa, both being independent non-executive Directors of the Company.

By Order of the Board
Lin Chien Hsin
Chairman

Hong Kong, 12th February, 2003