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TIGER TECH

Tiger Tech Holdings Limited

老虎科技 (控股) 有限公司*

(Incorporated in Bermuda with limited liability)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003**

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

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This announcement, for which the directors of Tiger Tech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- Turnover achieved approximately HK\$14.8 million for the six months ended 31 December 2003, representing an increase of approximately HK\$9.9 million when compared with the same period in 2002.
- The Group recorded a loss attributable to shareholders of HK\$1.91 million for the six months ended 31 December 2003.
- The Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2003.

FINANCIAL INFORMATION

Interim results for the six months ended 31 December 2003

The Board (the “Board”) of Directors (the “Directors”) of Tiger Tech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (together, the “Group”) for the three months and six months ended 31 December 2003 together with the comparative figures for the corresponding period ended in 2002 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the		For the	
		three months ended		six months ended	
		31 December		31 December	
		2003	2002	2003	2002
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	9,959	3,394	14,836	4,955
Other income		–	83	–	83
Changes in inventories		2,289	1,122	2,329	1,046
Purchase of merchandise		(8,025)	(1,313)	(10,716)	(1,339)
Staff costs		(808)	(896)	(2,045)	(1,619)
Depreciation and amortisation		(512)	(132)	(1,024)	(263)
Other operating expenses		(3,840)	(227)	(5,290)	(381)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Loss) Profit from ordinary activities before taxation	4	(937)	2,031	(1,910)	2,482
Taxation	5	–	(355)	–	(435)
(Loss) Profit attributable to shareholders		(937)	1,676	(1,910)	2,047
Dividend	6	–	–	–	–
(Loss) Earnings per share	7				
– Basic (HK cents)		<u>(0.23)</u>	<u>0.56</u>	<u>(0.48)</u>	<u>0.68</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2003 (Unaudited) <i>HK\$'000</i>	30 June 2003 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,290	1,552
Intangible assets		4,956	5,719
Interests in jointly-controlled entities		298	1
		<u>6,544</u>	<u>7,272</u>
Current assets			
Inventories		2,817	488
Due from a shareholder of a jointly controlled entity		–	4,300
Trade and other receivables	8	11,293	7,805
Bank balances and cash		8,736	8,590
		<u>22,846</u>	<u>21,183</u>
Current liabilities			
Trade and other payables	9	2,701	1,926
Taxation		519	1,949
Short term borrowings – unsecured		3,500	–
		<u>6,720</u>	<u>3,875</u>
Net current assets		<u>16,126</u>	<u>17,308</u>
NET ASSETS		<u><u>22,670</u></u>	<u><u>24,580</u></u>
CAPITAL AND RESERVES			
Issued capital		4,000	4,000
Reserves	10	18,670	20,580
		<u>22,670</u>	<u>24,580</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002	600	–	(595)	8,298	8,303
Net profit for the period	–	–	–	2,047	2,047
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	600	–	(595)	10,345	10,350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 July 2003	4,000	14,588	(595)	6,587	24,580
Net loss for the period	–	–	–	(1,910)	(1,910)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	4,000	14,588	(595)	4,677	22,670
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended 31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operations	(3,157)	(3,894)
Net cash used in investing activities	(197)	(25)
Net cash generated from financing activities	<u>3,500</u>	<u>–</u>
Increase/(decrease) in cash and cash equivalents	146	(3,919)
Cash and cash equivalents at beginning of period	<u>8,590</u>	<u>4,950</u>
Cash and cash equivalents at end of period, represented by bank balances and cash	<u><u>8,736</u></u>	<u><u>1,031</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Group Reorganisation and Basis of Preparation

The Company was incorporated as an exempted company with limited liability in Bermuda on 9 September 2002 under the Company Act 1981 of Bermuda. 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 (“GEM”), the Company became the holding company of the Group upon completion of the Reorganisation on 13 March 2003. The shares of the Company were listed on GEM on 16 April 2003. The Group resulting from the Reorganisation is regarded as a continuing entity.

The unaudited consolidated results of the Group have been prepared as if the Group for the six months ended 31 December 2003 and 31 December 2002 had been in existence throughout the periods covered by this report.

All significant transactions and balances between Companies now comprising the Group have been eliminated on consolidation.

The accounting policies and basis of preparation adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 30 June 2003.

The unaudited consolidation results of the Group are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” as issued by the Hong Kong Society of Accountants.

2. Turnover and Revenue

The Company is an investment holding company. The Group is principally engaged in the provision of Enterprise Thin Client Solutions, Customised Thin Client Application Solutions and Cable Network Thin Client Solutions.

Turnover and revenue recognized by category are as follows:

	For the three months ended 31 December 2003 (Unaudited) <i>HK\$'000</i>		For the six months ended 31 December 2003 (Unaudited) <i>HK\$'000</i>	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Enterprise Thin Client Solutions				
– Royalty income	2,200	–	2,200	–
– Service income	15	2,100	15	2,500
– Sales of goods	7,041	213	10,476	292
	9,256	2,313	12,691	2,792
Customised Thin Client Application Solutions				
– Software license fee	703	1,081	2,145	2,163
	9,959	3,394	14,836	4,955

3. Segment Information

The following tables present turnover, results, asset and liability information for the Group's business and geographical segments.

(a) Business segments

	Enterprise Thin Client Solutions		Customised Thin Client Solutions		Consolidated	
	For the six months ended		For the six months ended		For the six months ended	
	31 December		31 December		31 December	
	2003	2002	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover	<u>12,691</u>	<u>2,792</u>	<u>2,145</u>	<u>2,163</u>	<u>14,836</u>	<u>4,955</u>
Segment results	3,985	1,829	1,935	2,163	5,920	3,992
Unallocated income					-	83
Unallocated expenses					<u>(7,830)</u>	<u>(1,593)</u>
(Loss) Profit from ordinary activities before taxation					<u>(1,910)</u>	<u>2,482</u>
Taxation					<u>-</u>	<u>(435)</u>
(Loss) Profit attributable to shareholders					<u>(1,910)</u>	<u>2,047</u>

	Enterprise Thin Client Solutions		Customised Thin Client Solutions		Others		Consolidated	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2003	2003	2003	2003	2003	2003	2003	2003
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,018	2,367	1,612	6,877	-	3,320	11,630	12,564
Unallocated assets							<u>17,760</u>	<u>15,891</u>
Total assets							<u>29,390</u>	<u>28,455</u>
Segment liabilities	1,920	453	-	-	-	-	1,920	453
Unallocated liabilities							<u>4,800</u>	<u>3,422</u>
Total liabilities							<u>6,720</u>	<u>3,875</u>

(b) *Geographical segments*

	For the six months ended 31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Hong Kong	8,754	3,900
Taiwan	1,347	1,055
United States	3,535	–
Singapore and Malaysia	500	–
Australia and New Zealand	700	–
	14,836	4,955

In determining the Group's geographical segment, segment revenue is based on the geographical location of customers. An analysis of the Group's carrying amount of segment assets is not presented as all of the Group's assets were located in Hong Kong.

4. (Loss) Profit from Ordinary Activities Before Taxation

	For the six months ended 31 December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
This is stated after charging:		
Contributions to defined contribution plan (included in staff costs)	50	59
Loss on disposal of property, plant and equipment	–	8
Research and development costs in respect of:		
Hardware and design fee	1,335	–
Staff costs	231	231
Operating lease charges on premises	173	67
and after crediting:		
Write-back of provision for doubtful debts	(1,159)	–

5. Taxation

The Group had no assessable profit for the three months and six months ended 31 December 2003. The charge for the three months and six months ended 31 December 2002 represented Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for that period.

6. Dividend

The Directors do not recommend the payment of a dividend for the six months ended 31 December 2003 (2002: Nil).

7. (Loss) Earnings Per Share

The calculation of basic (loss) per share for the three months and six months ended 31 December 2003 is based on the Group's unaudited consolidated loss attributable to the shareholders of the Company for the three months and six months ended 31 December 2003 of HK\$937,000 and HK\$1,910,000 respectively and on the weighted average number of 400,000,000 ordinary shares in issue during the period.

The basic earnings per share for the corresponding period in 2002 is based on the unaudited consolidated profit attributable to the shareholders for the three months and six months ended 31 December 2002 of HK\$1,676,000 and HK\$2,047,000 and the weighted average number of 300,000,000 ordinary shares in issue during the period.

No diluted (loss) per share has been presented for the three months and six months ended 31 December 2003 because the exercise of the outstanding potential ordinary shares would have been anti-dilutive for the period. No diluted earnings per share has been presented for the corresponding period in 2002 as there were no potential ordinary shares.

8. Trade and Other Receivables

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Trade receivables		
From third parties	8,813	6,356
Other receivables		
Deposits, prepayments and other debtors	2,480	1,449
	11,293	7,805

The Group has no specific credit policy. However, the Group normally allows one to six months repayment period to its customers. Aging analysis of trade receivables is as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
0 – 30 days	2,878	1,380
31 – 90 days	5,018	638
91 – 180 days	913	4,622
Over 180 days	<u>4</u>	<u>875</u>
	8,813	7,515
Provision for doubtful debts	<u>–</u>	<u>(1,159)</u>
	<u>8,813</u>	<u>6,356</u>

9. Trade and Other Payables

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Trade payables		
To third parties	<u>1,920</u>	<u>452</u>
Other payables		
Accrued charges and other creditors	<u>781</u>	<u>1,474</u>
	<u>2,701</u>	<u>1,926</u>

Aging analysis of trade payables is as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
0 – 30 days	1,920	296
31 – 90 days	<u>–</u>	<u>156</u>
	<u>1,920</u>	<u>452</u>

10. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2002	–	(595)	8,298	7,703
Net profit for the period	–	–	2,047	2,047
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	–	(595)	10,345	9,750
Issue of shares	29,000	–	–	29,000
Capitalisation issue	(2,400)	–	–	(2,400)
Share issue expenses	(12,012)	–	–	(12,012)
Net loss for the period	–	–	(3,758)	(3,758)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	<u>14,588</u>	<u>(595)</u>	<u>6,587</u>	<u>20,580</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period	–	–	(1,910)	(1,910)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	<u>14,588</u>	<u>(595)</u>	<u>4,677</u>	<u>18,670</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the six months ended 31 December 2003 reached approximately HK\$14.8 million, representing an increase of approximately HK\$9.9 million as compared to the same period in 2002, which was the result of the enhancement of marketing and promotional activities carried out by the Group. The income derived from the Enterprise Thin Client Solutions was mainly attributable from the sales of hardware and software products, amounted to approximately HK\$10 million. The Group also recorded the royalty income from three newly secured distributors for the amount of HK\$2.2 million, being granted the exclusive rights for the distributors to sell Tiger Tech Brand's products in particular regions. For Customised Thin Client Application Solutions, the Group continues to record the recurrent income of approximately HK\$2.1 million for the licensing fees received from the financial data providers. Owing to the project nature of the cable business and the SARs effect during the previous six months, no project was undertaken during the six months ended 31 December 2003 and no income was recorded for the Cable Network Thin client solutions.

The Hong Kong operations remained as the major business and revenue contributor for the Group for the six months ended 31 December 2003. Though there is increase in the total value of the orders received in this period, the profit margin is lower than that of last corresponding period, mainly due to keen competition of the IT market.

For the six months ended 31 December 2003, the Company recorded a net loss attributable to shareholders of approximately HK\$1.9 million, while the Company recorded a profit attributable to shareholders of HK\$2 million for the corresponding period in 2002, which mainly due to the increased in the operating costs such as research and development expenses, rent, marketing expenses and legal and professional fees, as well as the increase in staff costs.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group continued to engage in the research, development, sales and implementation of Enterprise Thin Client Solutions, Customised Thin Client Application Solutions and Cable Network Thin Client Solutions. The Group provides its customers with thin client solutions by offering them a one stop solutions which include the design of thin client network architecture, development and provision of operating and application software and hardware, system integration as well as consultation services.

Marketing and promotional activities:

The Group sponsored a computer show in Tai Po in November 2003, showing Tiger Tech's wide range of products and demonstrating thin client concept to the public. The Group believes that by educating the general public especially the younger generation will definitely have a possible impact on the Group's branding and will eventually reflect its value in future sales. Furthermore, the Group also hosted two conferences and provided training to one educational institution. Advertisements were made in two prominent local computer magazines.

The Group also dedicated more marketing resources in the European market and carried out active promotional activities in this region. The thin client concept is relatively new in the European market and the Group intends to take this advantage to gain a strong foothold in the European market.

As for distribution channels, the Group recruited three distributors in United States, Singapore and Malaysia and Australia and New Zealand respectively. The Group believes the expansion of distribution channels in different regions is in line with its growth strategy and is vital to maintain its competitive edge.

Research and development activities:

The Group has launched the pilot version of the remote management solution during the period under review and a newer version is being fine tuned at the server end to enhance the overall performance of the product.

In addition, the Group joined with Toptrend Meta (HK) Int'l Ltd to apply its smart card solution into thin client solution and set top box solution. Toptrend's smart card solution is the only solution approved by the People's Bank of China for online payment and the only system approved for the integrating with the banking systems. The Group foresees this as a major milestone for the mainland's internet e-commerce development and will certainly provide a niche to the Group's products.

The Group is also in the process of evaluating the VIA low voltage CPU platform for industry specific thin client terminals and IP based Set Top boxes.

Joint Venture:

During the period under review, the Group formed a Jointly-controlled entity with Tagalder Investment Company Limited, namely Tiger Tech Mobile Limited to penetrate into the Thailand market with Mediacute's Alphnumeric Thai language input method.

The Group also formed a Jointly-controlled entity with an associate of The Hong Kong Polytechnic University in December 2003 to pave way for becoming an application service provider.

Outlook

The economy is slowly recovering with the advantages brought out by the “Mainland and Hong Kong Closer Economic Partnership Arrangement” signed between Hong Kong and the Mainland in 29 June 2003 and the IT spending from commercial sectors should be picking up gradually in parallel with the revival of the local economy in the second half of the year.

To enhance the Group’s branding as well as to aggressively pursue the PRC and Taiwan market with its Customized Thin Client Application solutions and Enterprise Thin client solutions, the Group entered into a strategic alliance with Culturecom, a Hong Kong listed company (Stock code: 0343). Culturecom’s newly developed Chinese based CPU, “ V-Dragon” was implemented with the standard Linux Technology so that a low-cost, no need for software Chinese character database, multi-cultural development IT standard is being invented. The new low-cost, highly-effective computer products is very ideal in the PRC market as the consuming power of the customer is not so high and this product will be easily accepted by most people in China.

The Group also acquired for 10% of equity interest in Medicate Technology Limited in January 2004, which is principally engaged in software development and related services business. The aim of the acquisition is to penetrate into the Thailand market with Mediacute’s Alphnumeric Thai language input method, the Group at present is integrating/embedding the technology into mobile operating systems and Enterprise Thin client solutions. With Tagalder’s extensive business experience, mediacute’s niche input method and Tiger Tech’s expertise in the Embedded operating system and thin client solutions. The Venture would enable the Group to penetrate the Thailand market with ease.

LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily relies on the internal resources and the net proceeds from its initial public offering as sources of funding for its operations. As at 31 December 2003, the Group's bank balances was approximately HK\$8.7 million (as at 30 June 2003: HK\$8.6 million). In view of keeping pace with the Group's business expansion and better utilizing the Group's leverage position, the Group arranged for a short-term loan from a financial institution in December 2003, amounting to HK\$3.5 million. The Group's assets remain highly liquid, the ratio of current assets to current liabilities as at 31 December 2003 was 3.4 (as at 30 June 2003: 5.5).

GEARING RATIO

As at 31 December 2003, the gearing ratio of the Group based on total liabilities over total assets was approximately 0.23 (as at 30 June 2003: approximately 0.14).

FOREIGN EXCHANGE EXPOSURE

During the period under review, the Group earned revenue and incurred costs and expenses mainly in Hong Kong dollars or United States dollars. As the exchange rate of United States dollars is officially pegged, no hedging or other alternatives have been implemented.

CHARGES ON GROUP ASSETS

As at 31 December 2003, none of the Group's assets were pledged to secure any banking facilities (as at 30 June 2003: nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2003 (as at 30 June 2003: nil).

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Neither the Company, nor any of its subsidiaries had any significant acquisitions, disposals and investment during the period.

FUTURE PLANS FOR INVESTMENTS OR CAPITAL ASSETS AND SOURCES OF FUNDING

The Company has issued and allotted 5,000,000 new shares in the capital of the Company in January 2004 for a consideration of HK\$2.5 million, to acquire 10% of equity interest in Mediacute Technology Limited. The Company also exercised a Placing to issue 20,000,000 new shares in January 2004 at HK\$0.4 per share to broaden its capital base and strengthen its financial position.

EMPLOYEE INFORMATION

As at 31 December 2003, the Group had 12 employees. The total employees' remuneration for the six months ended 30 December 2003, including that of the Directors, amounted to approximately HK\$2 million (2002: HK\$1.6 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees and medical scheme.

The Group also established a Pre-IPO Share Option Scheme and Share Option Scheme to reward its employees for their individual performance. During the period under review, no Pre-IPO share option had been exercised and no share option had been granted nor exercised. There has no major change on staff remuneration policies during the period.

SPONSOR'S INTEREST

Pursuant to a sponsor's agreement dated 31 March 2003 entered into between the Company and CSC Asia Limited, CSC Asia Limited will receive a fee for acting as the Group's sponsor for the period from 16 April 2003 to 30 June 2005.

At the date of this announcement, none of CSC Asia Limited, its directors, employees or associates did not have any interest in the shares of the Company, or any right to subscribe for or to nominate persons to subscribe for any share of the Company.

COMPETING INTERESTS

None of the Directors nor the substantial shareholder nor the initial management shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 31 December 2003.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee comprises two independent non-executive directors, namely Mr. Kwok Ming Fai and Mr. Lam Din Kan and one executive director, Mr. Tony Hoo. The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 31 December 2003.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the six months ended 31 December 2003.

By Order of the Board
Tiger Tech Holdings Limited
Tong Hoo
Executive Director

Hong Kong, 6 February 2004

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication.