# TIGER TECH HOLDINGS LIMITED
# 老虎科技(控股)有限公司*

*(Incorporated in Bermuda with limited liability)*

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2003

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.**

*This announcement, for which the directors of Tiger Tech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to Tiger Tech Holdings Limited. The directors, 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*

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Tiger Tech Holdings Limited (the "Company"), I am pleased to present the first annual report after the Company successfully listed on GEM on 16 April 2003. The listing of the Company enables the Company and its subsidiaries (collectively the "Group") to reinforce its equity capitalisation, liquidity and reputation. Leveraging on the proceeds from the listing, the Group has been able to implement key strategic initiatives to strengthen its three core businesses, namely, Enterprise Thin Client Solutions, Cable Network Thin Client Solutions and Customised Thin Client Application Solutions.

## FINANCIAL REVIEW

The turnover of the Group during the year ended 30 June 2003 was approximately HK$12 million, representing a decrease of approximately 48% as compared to the financial year ended 30 June 2002. During the year under review, Hong Kong remained as the major market for the Group. However, total turnover generated from the Hong Kong business decreased from approximately HK$16.4 million in preceding financial year to approximately HK$9.7 million this year, which represented a decrease of 41%. Total turnover generated from Taiwan business was approximately HK$2.5 million, represented a decrease of approximately 64% when compared to the previous year.

### Comments on segmental information

*(I) Enterprise Thin Client Solutions*

The SARS impact led to delays in the Group's turnaround momentum such that the results could have been better without SARS. The income derived from the provision of total thin client solution services was substantially decreased from approximately HK$9.2 million for the financial year of 2002 to approximately HK$3 million for the financial year of 2003, while sales of computer products decreased from approximately HK$6.7 million for the financial year of 2002 to approximately HK$1.2 million for the financial year of 2003.

*(II) Cable Network Thin Client Solutions*

The Group jointly worked with a PRC-based company to bid for the tender of the Cable TV Project. The tender is for the installation of Set Top Boxes for a Cable TV operator. The contract sum was approximately RMB120 million. However, due to the outbreak of SARS, the Group had deferred the arrangement with the supplier for sourcing of specific features of the Set Top Boxes and finally the Group together with the PRC-based company failed to secure the bidding. As a result, the Group recorded no revenue for Cable Network Thin Client Solutions for the year.

*(III) Customised Thin Client Application Solutions*

Turnover from Customised Thin Client Application Solutions increased slightly from approximately HK$4 million for the financial year ended 30 June 2002 to approximately HK$4.6 million for the financial year ended 30 June 2003, which mainly due to the Group's efforts on the promotion of the business in Taiwan, resulting a new customer being secured during the financial year. As a result, other than the recurrent income for the licensing fees received from the two financial data providers, the Group also secured a contract with total amount of HK$4,000,000, and approximately HK$0.45 million was recognised for the financial year ended 30 June 2003.

*(IV) Others*

During the financial year ended 30 June 2003, the Group derived the income of approximately HK$3.3 million which related to the sale of audio and video equipment and installation of the web casting system.

**Changes in inventories**

Changes in inventories represented the changes in closing balances of merchandise between two fiscal years. No significant changes between two financial years.

**Purchase of merchandise**

Purchase of goods for the year ended 30 June 2003 amounted to approximately HK$1.8 million, which represented only 14.6% of the Group's total turnover as most of the income generated in this fiscal year were services in nature.

**Staff costs**

Staff costs for the year under review increased to approximately HK$3.7 million from approximately HK$1.3 million in the previous year. The increase in staff costs was mainly attributable to the payment of Directors' remuneration according to the service contracts and the rise in the Group's managerial headcount.

**Depreciation and amortisation**

Depreciation and amortisation charges were increased by 73% from HK$522,000 in financial year of 2002 to HK$904,000 in financial year of 2003. This increase resulted from additional amortisation of HK$381,000 during the year for HK$6.1 million of computer software license rights that were purchased during the year, with the purpose of serving a wider spectrum of clients.

**Other operating expenses**

Other operating costs totaled approximately HK$7.5 million (2002: HK$1.5 million). The increase was attributable to, inter alia, the increase of operating lease rental, research and development for the Group's thin client technology, advertising and promotion expenses and legal and professional fees as a result of increase in business activities in relation to the development of the Group's business and the implementation of business plan after the Company's listing on GEM. The Directors will continue to monitor the Group's expenditure to ensure that it is kept under strict control. In addition to the general operating expenses, approximately HK$1 million doubtful debts was provided by the Group. The amount related to the account receivable balances which were overdue for more than 6 months and not received by the Group. The Group will continue to collect the indebtedness from these customers and expect to receive the full amount within the next couple of months.

Overall, the loss attributable to shareholders of the Company for the year ended 30 June 2003 was approximately HK$1.7 million, which represented a decrease of HK$14.4 million when compared to the profit of approximately HK$12.7 million recorded in the fiscal year of 2002. The deterioration of results was mainly attributable to the lower level of revenue when compared to the previous year, whereas staff costs and other operating costs were increased substantially to prepare for the future expansion of the Group's business.

**Dividends**

The Board of Directors does not recommend the payment of a dividend for the year ended 30 June 2003.

**Business review**

During the year under review, the Group has taken steps to improve product quality and adopt proactive marketing strategies to build up the corporate identity and the brand's visual presentation. For instance, the Group has signed a distributor agreement with PCCW-HKT to appoint PCCW-HKT to sell and market the Group's thin client products. The Group is also Microsoft's Windows Embedded Partner and the Group was appointed by Synclayer, one of the Cable Network solutions providers in the world specialising in the manufacture and integration of Cable television and broadband LAN products, as a non-exclusive distributor to market, distribute and sell its Cable Network hardware. The Group will continue to form more strategic partnerships and distribution networks so as to enlarge its research and development ability and marketing networks. The Group will also continue to source new products in order to broaden its products range and strengthen its service array. The Group believes that such strategies can enhance its market share thus profitability in the long run.

## RESPONSE TO AUDITORS' QUALIFIED OPINION

In light of the SARS outbreak and the poor market environment in Hong Kong in early April this year, the Group decided to shift its market strategies to the Taiwan market (which was still relatively immune from SARS at that point of time) in terms of increasing its thin products sales penetration and raising the profile of the Group.

Being relatively new and unfamiliar to Taiwan market and with limited marketing timeframe, the Group engaged a Taiwanese Company on 1 April 2003 to perform the marketing activities.

Through the assistance by this Taiwanese Company since 1 April 2003, the Group launched promotion activities in Taiwan including press conferences at different venues in Taiwan, an extensive coverage in local newspapers and other media marketing and introducing the Group to potential customers.

The Group remitted the contract sum of HK$5,175,000 to this Taiwanese Company's Taiwan bank account on 23 April 2003. The Group was notified by its auditors on 24 September 2003 that this Taiwanese Company was in a dissolved status in Taiwan since October 2002. Upon such notification, the management of the Group immediately contacted the management of this Taiwanese Company and was given to understand that this Taiwanese Company underwent a group reorganization. The Group was not aware that this Taiwanese Company was undergoing reorganization and dissolved at the time of remittance, given the fact that its bank account was still active. The management of this Taiwanese Company has confirmed that it has every intention to fulfill the contract. To that end, this Taiwanese Company's related company has entered into an undertaking with the Group to take up all obligations under the contract between the Group and this Taiwanese Company and continue to provide the services to the Group.

The management of the Group is satisfied with the services provided so far and will continue to monitor the performance provided by this Taiwanese Company's related company and is in consultation with its legal advisers regarding its legal position.

**Prospects**

The outbreak of SARS has created negative impact on the economy throughout the Asia Pacific region, including Hong Kong, Taiwan and the PRC. However, the Group believes that SARS is unlikely to have a significant impact on the Group's business in the medium and long-term as the spread of SARS has been contained. Following the removal of Hong Kong from the list of SARS infected areas by the WHO on 23 June 2003, the business activities of the Group were gradually returning to normal. Currently, negotiations with potential customers were underway. As the Group's business activities were back on track, the Group anticipates a favourable result can be achieved in the next financial year and the long term growth prospect of the Group remains strong.

For the year ahead, notwithstanding the global economics environment continues to be challenging, the Group will continue to pursue the business objectives as stated in the Prospectus where emphasis and majority of resources will be placed in the PRC market. In view of the huge advances in thin client technology and the excellent standalone solutions and products provided for the customers, the Group remains cautiously optimistic about the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Liquidity, financial resources and capital structure**

The Group had no gearing (defined as long-term debt to equity) as at 30 June 2003. The Group relies on the internal resources and the net proceeds from the placing of the Company's shares on GEM as sources of funding. There is no charge on the Group's assets as at 30 June 2003 (2002: nil). The Group had no credit facilities and no bank borrowing outstanding as at 30 June 2003 (2002: nil). As at 30 June 2003, the Group's bank balances was approximately HK$8.6 million (2002: HK$4.9 million), the total current assets amounted to approximately HK$21 million (2002: HK$13.8 million), representing a 53% increase as compared with 2002. The Directors believe that the existing financial resources are sufficient to fulfill its current working capital requirements.

**Foreign exchange exposure**

During the year 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.

**Contingent liabilities**

The Group had no significant contingent liabilities as at 30 June 2003.

**Acquisitions, disposals and significant investment**

The Company's shares were listed on GEM on 16 April 2003. Other than the acquisition of the intangible assets as disclosed in note 10 to the accounts, neither the Company, nor any of its subsidiaries had any significant acquisitions, disposals and investment during the year.

### Future plans for investments or capital assets and sources of funding

Except for those plans as set out in the Prospectus, there have been no plans for significant investment, capital assets and sources of funding.

### Employee information

As at 30 June 2003, the Group had 13 employees. The total employees' remuneration, including that of the Directors, amounted to approximately HK$3.7 million. (2002: HK$1.3 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contributions 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 year under review, no Pre-IPO share option had been exercised and no share option had been granted nor exercised. There has been no major change on staff remuneration policies during the year.

## RESERVES

Movements in the reserves of the Group during the year are set out in note 15 to the accounts.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period since the Company's shares listed on 16 April 2003 to 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPLIANCE WITH GEM LISTING RULES

Since the Company's shares were listed in GEM of the Stock Exchange on 16 April 2003, the Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## SUMMARY OF THE AUDITORS' QUALIFIED OPINION

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

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 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. However, the evidence available to us was limited because of the following matter:

On 1 April 2003, the Group entered into a contract with a company in Taiwan (the "Taiwanese Company") in respect of the provision by the Taiwanese Company of the following services to the Group in Taiwan for a consideration of HK$5,175,000:

(a) promotion of the Group in Taiwan in relation to the listing of the Company's shares

(b) setting up of office in Taiwan

(c) promotion of the products, services and business of the Group

The amount of HK$5,175,000 was paid on 23 April 2003. However, the public records available from the Ministry of Economic Affairs of Taiwan show that this Taiwanese Company had already been put in dissolution at the date of transaction. Information available to us about the Taiwanese Company was inadequate to enable us to form an opinion regarding this transaction.

Of the amount paid, HK$2,000,000 has been charged to the share premium account as share issuing expense and the balance of HK$3,175,000 included as expense in the consolidated income statement.

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.

### Qualified opinion: Disclaimer on view given by financial statements

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2003 or of the loss and cash flows of the Group for the year then ended and whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RESULTS**

| | Note | **2003** | 2002 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Turnover** | 3 | **12,147** | 23,376 |
| Other income | | **90** | – |
| Changes in inventories | | **(95)** | 462 |
| Purchase of merchandise | | **(1,777)** | (5,883) |
| Staff costs | | **(3,659)** | (1,332) |
| Depreciation and amortisation | | **(904)** | (522) |
| Other operating expenses | | **(7,464)** | (1,462) |
| **(Loss) Profit from ordinary activities before taxation** | 4 | **(1,662)** | 14,639 |
| Taxation | 5 | **(49)** | (1,900) |
| **(Loss) Profit attributable to shareholders** | | **(1,711)** | 12,739 |
| **Dividends** | 6 | **–** | 4,000 |
| **(Loss) Earnings per share** | 7 | | |
| Basic (HK cents) | | **(0.53)** | 4.25 |

## CONSOLIDATED BALANCE SHEET

*At 30 June 2003*

| | Note | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **1,552** | 2,062 |
| Intangible assets | 10 | **5,719** | – |
| Interest in a jointly controlled entity | | **1** | – |
| | | **7,272** | 2,062 |
| **Current assets** | | | |
| Inventories | 11 | **488** | 583 |
| Due from a shareholder of a jointly controlled entity | 12 | **4,300** | – |
| Trade and other receivables | 13 | **7,805** | 8,297 |
| Bank balances and cash | | **8,590** | 4,950 |
| | | **21,183** | 13,830 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **1,926** | 5,689 |
| Taxation | | **1,949** | 1,900 |
| | | **3,875** | 7,589 |
| **Net current assets** | | **17,308** | 6,241 |
| **NET ASSETS** | | **24,580** | 8,303 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | | **4,000** | 600 |
| Reserves | 15 | **20,580** | 7,703 |
| | | **24,580** | 8,303 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 30 June 2003*

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Shareholders' equity as at beginning of year | **8,303** | (436) |
| Issue of shares | **30,000** | – |
| Share issue expenses | **(12,012)** | – |
| Net (loss) profit for the year | **(1,711)** | 12,739 |
| Dividends paid | **–** | (4,000) |
| Shareholders' equity as at balance sheet date | **24,580** | 8,303 |

## CONSOLIDATED CASH FLOW STATEMENT

*Year ended 30 June 2003*

| | 2003 | 2002 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **OPERATING ACTIVITIES** | | |
| (Loss) Profit from ordinary activities before taxation | **(1,662)** | 14,639 |
| Depreciation and amortisation | **904** | 522 |
| Loss on disposal of property, plant and equipment | **12** | 14 |
| Provision for doubtful debts | **1,159** | – |
| Changes in working capital: | | |
| Inventories | **95** | (462) |
| Trade and other receivables | **(667)** | (7,296) |
| Trade and other payables | **(3,763)** | 4,009 |
| **Cash (used in) generated from operations** | **(3,922)** | 11,426 |
| **INVESTING ACTIVITIES** | | |
| Investment in a jointly controlled entity | **(1)** | – |
| Advance to a shareholder of a jointly controlled entity | **(4,300)** | – |
| Acquisition of software license rights | **(6,100)** | – |
| Purchase of property, plant and equipment | **(25)** | (2,504) |
| **Net cash used in investing activities** | **(10,426)** | (2,504) |
| **FINANCING ACTIVITIES** | | |
| Dividends paid | **–** | (4,000) |
| Proceeds from issue of shares | **30,000** | – |
| Share issue expenses | **(12,012)** | – |
| **Net cash generated from (used in) financing activities** | **17,988** | (4,000) |
| **Net increase in cash and cash equivalents** | **3,640** | 4,922 |
| **Cash and cash equivalents at beginning of year** | **4,950** | 28 |
| **Cash and cash equivalents at balance sheet date represented by bank balances and cash** | **8,590** | 4,950 |

*Notes:*

## 1. GROUP REORGANISATION

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 "Group Reorganisation") to rationalise the Group structure in connection with the listing of Company's shares on GEM of the Stock Exchange, the Company became the ultimate holding company of the companies now comprising the Group.

## 2. PRINCIPAL ACCOUNTING POLICIES

### Statement of compliance

These financial statements have been prepared in accordance with the Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules governing the Listing of Securities on GEM of the Stock Exchange. A summary of the principal accounting policies adopted by the Group is set out below.

### Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

### Basis of consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of acquisition of the subsidiaries. Except for the Group Reorganisation as described above, the results of subsidiaries acquired or disposal 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. The comparative consolidated balance sheet as at 30 June 2002 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group taken as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recovered amount on individual basis.

### Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group or the Company and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment losses determined on an individual basis. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's interests in jointly controlled entities are stated at cost less accumulated impairment losses determined on an individual basis. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Computer equipment | 20% |
| Office equipment | 20% |
| Leasehold improvement | 20% |

**Intangible assets**

*Research and development costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Costs incurred on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. Other development expenditure is recognised as an expense as incurred.

*Computer software license rights*

The initial cost of acquiring the computer software license rights is capitalised if it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost can be measured reliably.

Computer software license rights are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software license rights are amortised on the straight-line basis over their estimated useful lives but not exceeding 4 years.

### Impairment loss

At each balance sheet date, the Group reviews internal and external source of information to determine whether the carrying amounts of its assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises purchase costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Service income is recognised in the period when services are rendered.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when goods are delivered and title has passed.

Software license fee is recognised on an accrual basis in accordance with the relevant terms of the license agreements.

### Foreign currencies

The Group maintains its accounting records in Hong Kong dollars and transactions involving foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

**Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as an expense on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset.

**Cash equivalents**

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts, if any.

**Employee benefits**

*Defined contribution plans*

The Group participates in a Mandatory Provident Fund scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees as required by the Mandatory Provident Fund Ordinance. The assets of the scheme are held separately from those of the Group in an independently administered fund. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The contribution borne by the Group is calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$20,000 for each eligible employee).

*Equity compensation benefits*

The share option scheme allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised when the Group grants options to employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

**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 decision. Parties are also considered to be related if they are subject to common control or common significant influence.

**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 (geographic segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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 corporate assets and corporate expenses.

## 3. TURNOVER AND REVENUE

Turnover and revenue recognised by category are as follows:

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Turnover** | | |
| Service income | **5,200** | 12,048 |
| Sales of goods | **2,314** | 7,353 |
| Software license fee | **4,633** | 3,975 |
| | **12,147** | 23,376 |

## 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| This is stated after charging: | | |
| Cost of inventories | | |
| For resale | **1,872** | 5,226 |
| Write-down of inventories | **–** | 195 |
| Auditors' remuneration | **280** | 100 |
| Contributions to defined contribution plan (included in staff costs) | **117** | 37 |
| Loss on disposal of property, plant and equipment | **12** | 14 |
| Provision for doubtful debts | **1,159** | – |
| Research and development costs in respect of: | | |
| Hardware and design fee | **1,032** | 37 |
| Staff costs | **463** | – |
| Operating lease charges on premises | **240** | 115 |

## 5. TAXATION

| | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|
| The charge comprises: | | |
| **Hong Kong Profits Tax** | | |
| Current year | **–** | 1,900 |
| Under provision in prior year | **49** | – |
| | **49** | 1,900 |

Hong Kong Profits Tax has not been provided for the year (2002: provided at the rate of 16%) as the Company and the principal subsidiary in Hong Kong incurred losses for taxation purposes.

The major components of deferred taxation not provided (credited) for the year are as follows:

| | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|
| Excess of tax allowances over depreciation and amortisation | **945** | 316 |
| Tax losses (arising) utilised | **(1,170)** | 81 |
| | **225** | 397 |

## 6. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 30 June 2003.

The 2002 dividends of HK$4,000,000 were paid by Tiger Tech Corporation Limited, a wholly-owned subsidiary of the Company, to its then shareholders on 15 May 2002 prior to the completion of the Group Reorganisation.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the consolidated loss attributable to the shareholders for the year of HK$1,711,000 (2002: consolidated profit of HK$12,739,000) and weighted average number of 320,822,000 (2002: 300,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate both current year's (loss) and prior year's earnings per share is based on the assumption that the 300,000,000 shares were deemed to have been in issue comprising 60,000,000 shares issued as a consideration for the acquisition of the entire share capital of Cableplus Group Limited, the then holding company of Tiger Tech Corporation Limited and the capitalisation issue of 240,000,000 shares.

Additionally, the weighted average number of shares used for the current year's (loss) per share calculation also includes the 100,000,000 shares issued pursuant to the Placing.

No diluted loss per share has been presented for the current year because the exercise of the outstanding potential ordinary shares would have been anti-dilutive for the year. No diluted earnings per share has been presented for 2002 as there were no potential ordinary shares.

## 8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### Business segment

The Group comprises the following main business segments:

| | Enterprise Thin Client Solutions | | Customised Thin Client Application Solutions | | Cable Network Thin Client Solutions | | Others | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 | **2003** | 2002 | **2003** | 2002 | **2003** | 2002 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Revenue** | | | | | | | | | | |
| Segment turnover | **4,194** | 15,901 | **4,633** | 3,975 | **–** | 3,500 | **3,320** | – | **12,147** | 23,376 |
| Segment results | **842** | 10,097 | **2,847** | 3,975 | **–** | 2,821 | **2,392** | – | **6,081** | 16,893 |
| Unallocated income | | | | | | | | | **90** | – |
| Unallocated expenses | | | | | | | | | **(7,833)** | (2,254) |
| **(Loss) Profit from ordinary activities before taxation** | | | | | | | | | **(1,662)** | 14,639 |
| Taxation | | | | | | | | | **(49)** | (1,900) |
| **(Loss) Profit attributable to shareholders** | | | | | | | | | **(1,711)** | 12,739 |
| **Assets** | | | | | | | | | | |
| Segment assets | **2,367** | 8,818 | **6,877** | 18 | **–** | – | **3,320** | – | **12,564** | 8,836 |
| Unallocated assets | | | | | | | | | **15,891** | 7,056 |
| Consolidated total assets | | | | | | | | | **28,455** | 15,892 |
| **Liabilities** | | | | | | | | | | |
| Segment liabilities | **453** | 3,445 | **–** | – | **–** | – | **–** | – | **453** | 3,445 |
| Unallocated liabilities | | | | | | | | | **3,422** | 4,144 |
| Consolidated total liabilities | | | | | | | | | **3,875** | 7,589 |
| **Other information** | | | | | | | | | | |
| Capital expenditure | **–** | – | **6,100** | – | **–** | – | **–** | – | **6,100** | – |
| Unallocated capital expenditure | | | | | | | | | **25** | 2,504 |
| | | | | | | | | | **6,125** | 2,504 |
| Depreciation and amortisation | **–** | – | **381** | – | **–** | – | **–** | – | **381** | – |
| Unallocated depreciation and amortisation | | | | | | | | | **523** | 522 |
| | | | | | | | | | **904** | 522 |

**Geographical segment**

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers.

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Hong Kong | **9,662** | 16,446 |
| Taiwan | **2,485** | 6,930 |
| | **12,147** | 23,376 |

An analysis of the Group's carrying amount of segment assets and capital expenditure by location of assets is not presented as all of the Group's assets were located in Hong Kong.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | **Computer equipment** | **Office equipment** | **Leasehold improvement** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Cost** | | | | |
| At 1 July 2002 | 2,570 | 26 | 15 | 2,611 |
| Additions | 25 | – | – | 25 |
| Disposals | – | – | (15) | (15) |
| **At 30 June 2003** | 2,595 | 26 | – | 2,621 |
| **Accumulated depreciation** | | | | |
| At 1 July 2002 | 535 | 11 | 3 | 549 |
| Charge for the year | 518 | 5 | – | 523 |
| Eliminated on disposals | – | – | (3) | (3) |
| **At 30 June 2003** | 1,053 | 16 | – | 1,069 |
| **Net book value** | | | | |
| **At 30 June 2003** | 1,542 | 10 | – | 1,552 |
| At 1 July 2002 | 2,035 | 15 | 12 | 2,062 |

## 10. INTANGIBLE ASSETS

| | Software license rights *HK$'000* |
|---|---|
| Additions | **6,100** |
| Amortisation charge for the year | **(381)** |
| **Carrying amount at 30 June 2003** | **5,719** |

During the year, the Group acquired exclusive rights to use and sub-license an application software system of interactive voice recognition system specialised for use in securities trading in Hong Kong, the People's Republic of China (the "PRC") and Taiwan at a cost of HK$6,100,000.

The software license rights are amortised using straight-line basis over its estimated useful life of 4 years.

## 11. INVENTORIES

Inventories represent merchandise of computer hardware and accessories carried at cost (2002: included inventories carried at net realisable value of HK$538,000).

## 12. DUE FROM A SHAREHOLDER OF A JOINTLY CONTROLLED ENTITY

The amount due from a shareholder of jointly controlled entity who holds 50% equity interest of the issued capital of the Company's jointly controlled entity is unsecured, interest-free and has no fixed repayment term. Subsequent to the balance sheet date, the amount has been paid into the bank account of the jointly controlled entity on behalf of the Company in fulfillment of the Company's obligation to contribute to the working capital of the jointly controlled entity.

## 13. TRADE AND OTHER RECEIVABLES

| | **2003** *HK$'000* | 2002 *HK$'000* |
|---|---|---|
| **Trade receivables** | | |
| From third parties | **6,356** | 8,253 |
| **Other receivables** | | |
| Deposits, prepayments and other debtors | **1,449** | 44 |
| | **7,805** | 8,297 |

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:

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **1,380** | 6,690 |
| 31 – 90 days | **638** | 1,563 |
| 91 – 180 days | **4,622** | – |
| Over 180 days | **875** | – |
| | **7,515** | 8,253 |
| Provision for doubtful debts | **(1,159)** | – |
| | **6,356** | 8,253 |

## 14. TRADE AND OTHER PAYABLES

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade payables** | | |
| To third parties | **452** | 3,258 |
| **Other payables** | | |
| Accrued charges and other creditors | **1,474** | 2,290 |
| Advances received | **–** | 141 |
| | **1,474** | 2,431 |
| | **1,926** | 5,689 |

Aging analysis of trade payables is as follows:

| | **2003** | 2002 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **296** | 1,490 |
| 31 – 90 days | **156** | 1,768 |
| | **452** | 3,258 |

### 15. RESERVES

**The Group**

| | Share premium *HK$'000* | Capital reserve *HK$'000* | Accumulated (losses) profits *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| At 1 July 2001 | – | (595) | (441) | (1,036) |
| Net profit for the year | – | – | 12,739 | 12,739 |
| Dividends | – | – | (4,000) | (4,000) |
| At 30 June 2002 | – | (595) | 8,298 | 7,703 |
| Issue of shares | 29,000 | – | – | 29,000 |
| Capitalisation issue | (2,400) | – | – | (2,400) |
| Share issue expenses | (12,012) | – | – | (12,012) |
| Net loss for the year | – | – | (1,711) | (1,711) |
| **At 30 June 2003** | **14,588** | **(595)** | **6,587** | **20,580** |

On behalf of the board
**Tiger Tech Holdings Limited**
**Tony Hoo**
*Chairman and Executive Director*

Hong Kong, 14 October 2003

*This announcement will remain on the "Latest Company Announcements" page of GEM website for at least seven days from its date of publication.*