

TIGER TECH HOLDINGS LIMITED

老虎科技(控股)有限公司



TIGER TECH

2003/04

THIRD QUARTERLY REPORT

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

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

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 the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and found bases and assumption that are fair and reasonable.

HIGHLIGHTS

- Turnover achieved approximately HK\$31 million for the nine months ended 31 March 2004, representing an increase of approximately HK\$21 million when compared with the same period in 2003.
- The Group recorded a loss attributable to shareholders of approximately HK\$4.5 million for the nine months ended 31 March 2004.
- The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 31 March 2004.

FINANCIAL INFORMATION

Third quarterly results for the nine months ended 31 March 2004

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 nine months ended 31 March 2004 together with the comparative figures for the corresponding period ended in 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	16,144	5,167	30,980	10,122
Other income		-	-	-	83
Changes in inventories		(2,171)	(871)	158	175
Purchase of merchandise		(11,712)	(227)	(22,428)	(1,566)
Staff costs		(826)	(868)	(2,871)	(2,487)
Depreciation and amortisation		(512)	(132)	(1,536)	(395)
Other operating expenses		(3,049)	(457)	(8,339)	(839)
(Loss) Profit from operating activities					
	3	(2,126)	2,612	(4,036)	5,093
Finance costs	4	(263)	-	(263)	-
Share of losses of jointly-controlled entities		(198)	-	(198)	-
(Loss) Profit before taxation		(2,587)	2,612	(4,497)	5,093
Taxation	5	-	(460)	-	(895)
(Loss) Profit from ordinary activities attributable to shareholders					
		(2,587)	2,152	(4,497)	4,198
Dividend	6	-	-	-	-
(Loss) Earnings per share					
- Basic (HK cents)	7	(0.64)	0.72	(1.11)	1.40

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 nine months ended 31 March 2004 and 31 March 2003 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 third quarterly 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 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 recognised by category are as follows:

	For the three months ended		For the nine months ended	
	31 March		31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Enterprise Thin Client Solutions				
- Royalty income	-	-	2,200	-
- Service income	13	2,700	28	5,200
- Sales of goods	9,631	1,387	20,107	1,679
	9,644	4,087	22,335	6,879
Customised Thin Client Application Solutions				
- Software license fee	720	1,080	2,865	3,243
Cable Network Thin Client Solutions				
- Sales of goods	5,780	-	5,780	-
	16,144	5,167	30,980	10,122

3. (Loss) Profit from Operating Activities

	For the nine months ended 31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
This is stated after charging:		
Contributions to defined contribution plan (included in staff costs)	74	88
Loss on disposal of property, plant and equipment	-	8
Research and development costs in respect of:		
Hardware and design fee	2,607	-
Staff costs	347	347
Operating lease charges on premises	259	154
and after crediting:		
Write-back of provision for doubtful debts	(1,159)	-

4. Finance Costs

	For the nine months ended 31 March	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on short term borrowings from a financial institution	263	-

5. Taxation

The Group had no assessable profit for the three months and nine months ended 31 March 2004. The charge for the three months and nine months ended 31 March 2003 represented Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for that period.

6. Dividend

The Directors do not recommend the payment of a dividend for the nine months ended 31 March 2004 (2003: Nil).

7. (Loss) Earnings Per Share

The calculation of basic (loss) per share for the three months and nine months ended 31 March 2004 is based on the Group's unaudited consolidated loss attributable to the shareholders of the Company for the three months and nine months ended 31 March 2004 of HK\$2,587,000 and HK\$4,497,000 respectively and on the weighted average number of 404,386,000 ordinary shares in issue during the period.

The basic earnings per share for the corresponding period in 2003 is based on the unaudited consolidated profit attributable to the shareholders for the three months and nine months ended 31 March 2003 of HK\$2,152,000 and HK\$4,198,000 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 nine months ended 31 March 2004 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 2003 as there were no potential ordinary shares.

8. 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	–	–	4,198	4,198
At 31 March 2003	–	(595)	12,496	11,901
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	–	–	(5,909)	(5,909)
At 30 June 2003	14,588	(595)	6,587	20,580
Issue of shares	10,250	–	–	10,250
Share issue expenses	(793)	–	–	(793)
Net loss for the period	–	–	(4,497)	(4,497)
At 31 March 2004	24,045	(595)	2,090	25,540

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 31 March 2004, the Group recorded a turnover of approximately HK\$31 million, representing an increase of approximately HK\$21 million as compared to the same period in 2003, which was mainly attributable from the sales of hardware and software products derived from both Enterprise Thin Client Solutions and Cable Network Thin Client Solutions. The increase of sales was mainly due to effective promotional campaigns carried out by the Group throughout the period and more referrals from existing clients and business partners.

Despite the increase in sales, the relatively lower gross profit margin ratio set by the Group as compared to the corresponding period in last year, has reduced its gross profits. Overall, the Company recorded a net loss attributable to shareholders of approximately HK\$4.5 million, while the Company recorded a profit attributable to shareholders of approximately HK\$4.2 million for the corresponding period in 2003, which mainly due to the reducing of gross profit, while increasing of the operating costs such as research and development expenses, marketing expenses and legal and professional fees, as a result of listing of the Company on GEM of the Stock Exchange.

BUSINESS REVIEW

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:

In January 2004, the Group conducted a seminar at a local primary school and in March 2004, the Group participated a seminar held by the Information Technology Services Department. Four participants were invited and Tiger Tech is the only company demonstrating thin client technology and embedded solutions.

Furthermore, the Group also provided training to two distributors and the Group continued to place advertisements with two prominent local computer magazines and distribute product brochures to potential clients.

Research and development activities:

During the period under review, the Group continued to jointly develop the smart card solution with Toptrend Meta (HK) International Limited, a leading software development company, and thru joint collaboration with another leading information technology company. The Group has also started a customer management solution system to provide a backend support in order to complete a total solution for the Group's Set Top Box solution.

The Group also continued to evaluate the VIA low voltage CPU platform for industry specific thin client terminals and IP based Set Top Boxes.

Investment and acquisition:

In January 2004, the Company has acquired 10% of equity interests in Mediacute Technology Limited for a consideration of HK\$2.5 million, with its aim to develop the embedded solution in mobile phones and penetrate into the Thailand market. Details of the transaction have been disclosed in the announcements of the Company dated 18 December 2003.

The Group also acquired the license rights of some software products from Toptrend for a consideration of HK\$1.8 million, with its aim to broaden the products range and facilitate the business development of Cable Network Thin Client Solutions.

Funds raised:

In January 2004, the Company raised approximately HK\$7.2 million net proceeds from placing of its new shares. The funds generated by the placing have been used to finance the Group's operations and will be used to develop new business opportunities.

Contracts:

The licensing agreements that were signed in April 2001 for a term of three years with two data providers were expired on 31 March 2004. The two data providers decided not to renew the licensing agreements with Tiger Tech. The Directors of the Group consider that the termination of the contracts would have negative effect on the Group's profitability. However, the Group will actively seek for new customers to sustain its growth.

Set up representative office:

Owing to the political uncertainty in Taiwan, the Group has decided to postpone the setting up of the representative office in Taiwan and will concentrate its resources on Hong Kong market.

OUTLOOK

The recovery of Hong Kong and global economy is being reflected thru the increase in Group's turnover. Nevertheless, the competition for IT market will continue to be intense. In order to remain competitive, the Group will continue to develop new products and actively exploring new business opportunities to strengthen its three core businesses.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests of the director or chief executives of the Company or their respective associates in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long position in shares of the Company:*

Name of Director	Nature of interest	Capacity	Number of shares	Shareholding percentage
Mr. Tony Hoo	Corporate	Beneficial owner (Note)	300,000,000	70.26%

Note: These shares were held as to 100,000,000 shares by Bestmind Associates Limited, a company incorporated in the British Virgin Islands, as to 100,000,000 shares by Precision Assets Limited, a company incorporated in the British Virgin Islands, and as to 100,000,000 shares by Timepiece Associates Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of each of Bestmind Associates Limited, Precision Assets Limited and Timepiece Associates Limited is directly wholly owned by Mr. Tony Hoo, who is also the sole director of each of the companies.

(ii) Long position in underlying shares of equity derivatives of the Company:

Name of Director	Nature of interest	Capacity	Number and description of equity derivatives	Number of underlying shares
Mr. Tony Hoo	Personal	Beneficial owner	Share options to subscribe for 34,000,000 shares (Note 1)	34,000,000
Mr. Tang Tsz Hoo, Anthony	Personal	Beneficial owner	Share option to subscribe for 2,000,000 shares (Note 1)	2,000,000
Mr. Chow Kwok Keung	Personal	Beneficial owner	Share option to subscribe for 2,000,000 shares (Note 1)	2,000,000

Note 1: The share options were granted under the Pre-IPO share option scheme of the Company adopted on 13 March 2003. All of the above share options are physically settled equity derivatives.

Save as disclosed above, as at 31 March 2004, none of the directors or chief executives or their respective associates had any personal, family, corporate or other interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation as defined in Part XV of the SFO or which, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests in shares or short positions in shares and underlying shares" above, at no time during the period since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate 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 subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

INTEREST OR SHORT POSITION DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, so far as was known to any directors or chief executives, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in register of interests required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Long position in shares of the Company:

Name	Capacity	Number of shares	Shareholding percentage
Bestmind Associates Limited (<i>Note</i>)	Beneficial owner	100,000,000	23.42%
Precision Assets Limited (<i>Note</i>)	Beneficial owner	100,000,000	23.42%
Timepiece Associates Limited (<i>Note</i>)	Beneficial owner	100,000,000	23.42%

Note: Bestmind Associates Limited, Precision Assets Limited and Timepiece Associates Limited are companies incorporated in the British Virgin Islands with limited liability. The entire issued share capital of each of Bestmind Associates Limited, Precision Assets Limited and Timepiece Associates Limited is directly wholly owned by Mr. Tony Hoo, who is also the sole director of each of the companies.

Saved as disclosed above, no person, other than the directors of the Company and chief executive of the Group, whose interests are set out in the section "Directors' and chief executives' interests in shares or short position in shares and underlying shares" above, had registered an interest or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

Pursuant to the Company's Pre-IPO share option scheme adopted and approved by the sole shareholder of the Company dated 13 March 2003, there were 40,000,000 options granted to the employees of the Company. Details of the options granted are as follows:

Name of grantees	No. of options granted	Exercise price per underlying share	Exercisable period
Executive Directors			
Mr. Tony Hoo	34,000,000	HK\$0.01	16 April 2004 to 12 March 2013
Mr. Tang Tsz Hoo, Anthony	2,000,000	HK\$0.01	16 April 2004 to 12 March 2013
Mr. Chow Kwok Keung	2,000,000	HK\$0.01	16 April 2004 to 12 March 2013
Senior Management			
Miss Wong Fei Tat	2,000,000	HK\$0.01	13 March 2003 to 12 March 2013

As at 31 March 2004, 2,000,000 ordinary shares had been issued as a result of exercise of the Pre-IPO Share option granted to Miss Wong Fei Tat during the period.

Saved as disclosed above, no options granted pursuant to the Pre-IPO share Option Scheme as stated above had been exercised or cancelled during the nine months ended 31 March 2004.

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 report, none of CSC Asia Limited, its directors, employees or associates had 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 nine months ended 31 March 2004.

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 consolidated results for the nine months ended 31 March 2004.

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 nine months ended 31 March 2004.

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

Hong Kong, 15 April 2004