

PINE
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PINE TECHNOLOGY HOLDINGS LIMITED

THE
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KEEP
2001

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 PINE Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to PINE Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: — (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

HIGHLIGHTS FOR THE NINE-MONTH PERIOD

- PINE has focused on the development of Mass Merchant business as an extension of our channel expansion, which is contributing about 10% to our total turnover.
- We came into an agreement with Toshiba and Pioneer on a co-branding marketing event for their DVD product in North America. Such effort is anticipated to contribute about 3% of our total turnover in the coming year.
- Beginning Feb 2001, we started business with Best Buy, the No. 1 specialty retailer of consumer electronics, personal computers, entertainment software and appliances in the US which has over 400 stores, and a US\$15 billion revenue.

THIRD QUARTERLY RESULTS

On behalf of the board of the directors (the "Directors") of PINE Technology Holdings Limited (the "Company"), I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, the "Group") for the nine months (the "Nine-Month Period") and the three months (the "Quarterly Period") ended 31 March 2001.

Nine-Month Period

The unaudited consolidated profit of the Group for the Nine-Month Period was approximately US\$1,129,000 representing a decrease of approximately 85.92% as compared to the unaudited combined profit of the Group of approximately US\$8,018,000 for the corresponding nine-month period in 2000. Unaudited consolidated turnover of the Group for the Nine-Month Period was about US\$236,248,000, representing a growth of about 0.22% over the unaudited combined turnover of the Group of US\$235,730,000 for the corresponding nine-month period in 2000.

The unaudited gross profit margin of the Group was approximately 8.00% for the Nine-Month Period which was about 1.91% lower than the unaudited gross profit margin of the Group of approximately 9.91% for the corresponding nine-month period in 2000.

Quarterly Period

The unaudited consolidated loss of the Group for the Quarterly Period was approximately US\$854,000 representing a decrease of approximately 130.70% as compared to the unaudited combined profit of the Group of approximately US\$2,782,000 for the corresponding quarterly period in 2000. Unaudited consolidated turnover of the Group for the Quarterly Period was about US\$74,716,000, representing a drop of about 8.18% over the unaudited combined turnover of the Group of US\$81,372,000 for the corresponding quarterly period in 2000.

The unaudited gross profit margin of the Group was approximately 6.73% for the Quarterly Period which was about 3.34% lower than the unaudited gross profit margin of the Group of approximately 10.07% for the corresponding quarterly period in 2000.

The unaudited consolidated results of the Group for the Nine-Month and the Quarterly Periods, together with the unaudited comparative figures for the corresponding periods in 2000 are as follows:

| | Notes | Nine months ended | | Three months ended | |
|---|-------|---------------------|--------------|-----------------------|--------------|
| | | 31 March | | 31 March | |
| | | 2001 | 2000 | 2001 | 2000 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Turnover | 2 | 236,248 | 235,730 | 74,716 | 81,372 |
| Gross profit | | 18,898 | 23,358 | 5,032 | 8,193 |
| Profit/(loss) before taxation | | 1,459 | 9,393 | (673) | 3,109 |
| Taxation | 3 | (330) | (1,375) | (181) | (327) |
| Profit/(loss) for the period | | <u>1,129</u> | <u>8,018</u> | <u>(854)</u> | <u>2,782</u> |
| Earnings/(loss) per share (US cents) | 4 | | | | |
| — Basic | | <u>0.165</u> | <u>1.351</u> | <u>(0.125)</u> | <u>0.406</u> |

Notes:

1 Basis of preparation

The Company was incorporated in Bermuda on 14 September 1999 as an exempted company with limited liability under the Companies Act of 1981 of Bermuda. In preparation for the listing of the Company's shares on GEM, a share exchange took place on 9 November 1999 whereby the Company became the holding company of the Group. The Company's shares were listed on GEM on 26 November 1999.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on a merger accounting basis as if the Company had always been the holding Company of the Group.

2 Turnover

An analysis of the Group's turnover by type of products sold for Nine-Month Period and the Quarterly Period were as follows:

| | Nine months ended 31 March | | Three months ended 31 March | |
|--|-------------------------------|------------------|--------------------------------|------------------|
| | 2001 US\$'000 | 2000 US\$'000 | 2001 US\$'000 | 2000 US\$'000 |
| Manufacture and sale of products under the Group's brand names | 77,941 | 77,671 | 22,692 | 27,921 |
| Distribution of other manufacturers products | 158,307 | 158,059 | 52,024 | 53,451 |
| | <u>236,248</u> | <u>235,730</u> | <u>74,716</u> | <u>81,372</u> |

3 Taxation

| | Nine months ended | | Three months ended | |
|---|-------------------|-----------------|--------------------|-----------------|
| | 31 March | | 31 March | |
| | 2001 | 2000 | 2001 | 2000 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| The charge comprises: | | | | |
| — Hong Kong Profits Tax | — | (687) | — | (225) |
| — Taxation arising on other jurisdictions | (330) | (688) | (181) | (102) |
| | <u>(330)</u> | <u>(1,375)</u> | <u>(181)</u> | <u>(327)</u> |

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

4 Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the Nine-Month Period and the Quarterly Period are based on the profits/(loss) of approximately US\$1,129,000 and US\$(854,000) respectively, and the weighted average number of 684,486,124 shares and 683,946,644 shares in issue respectively during the Nine-Month Period and the Quarterly Period.

The calculation of the basic earnings per share for the corresponding nine-month period in 2000 and the corresponding quarterly period in 2000 are based on the profits for these periods of about US\$8,018,000 and US\$2,782,000 respectively, and 593,470,800 shares and 684,750,000 shares in issue respectively during the periods.

No diluted earnings/(loss) per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both of the Nine-Month Period and the Quarterly Period.

5 Reserves

| | Share premium | Surplus account | Exchange reserve | Goodwill reserve | Capital reserve | Accumulated profits | Total |
|--|------------------|--------------------|---------------------|---------------------|--------------------|------------------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 July 2000 | 22,327 | 2,954 | (144) | (1,611) | 63 | 12,702 | 36,291 |
| Repurchase of shares | (112) | — | — | — | — | — | (112) |
| Exchange differences on translation of overseas operations | — | — | (73) | — | — | — | (73) |
| Profit for the period | — | — | — | — | — | 1,129 | 1,129 |
| At 31 March 2001 | <u>22,215</u> | <u>2,954</u> | <u>(217)</u> | <u>(1,611)</u> | <u>63</u> | <u>13,831</u> | <u>37,235</u> |

6 Subsequent event

Subsequent to the balance sheet date, share options were granted under the Company's share option scheme to certain employees to subscribe for shares in the Company as follows:

| Date of grant | Exercisable period | Exercise price | Option granted |
|---------------|------------------------|----------------|-------------------|
| 12.4.2001 | 16.5.2001 to 15.5.2006 | 0.335 | 8,100,000 |
| 12.4.2001 | 1.10.2001 to 30.9.2006 | 0.335 | 2,500,000 |
| | | | <u>10,600,000</u> |

No share option to subscribe for the shares of the Company was exercised by the employees up to the date of approval of these financial statements.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the Nine-Month Period and the Quarterly Period.

The Group has not declared any dividends for the corresponding quarterly period in 2000. For the corresponding nine-month period in 2000, a dividend amounted US\$4,988,000 was paid by a subsidiary of the Company to the then shareholders prior to the Group Reorganisation.

BUSINESS REVIEW

These last few quarters have been difficult times for everyone in the PC related businesses. PINE has not been immune from the temporary slowdown within the industry. We reported loss of approximately US\$854,000 for the three-month quarter ended 31 March 2001. While we are experiencing pain at the moment, such draw back is perceived as one time and in the long run this market correction will be a positive trend leading to future prosperity.

Macro-economy slowdown and industry diminution has accumulated surplus inventory. We aggressively wrote off memory inventory and was also determined to speed up stock turn in the quarter, which ebbed our gross profit. Protecting and maintaining market share, we sold through large volumes at competitive prices, which also added pressure to our gross profit. The three exercises accumulated negative impact, amounted over US\$1 million which was reflected in the total turnover.

It is our innate strength of being uncompromising to the challenges encountered. We are still investing in the research and development which is the backbone of success in the IT industry. We are planning ahead to ensure our products will enjoy cost and reliability advantages along with higher profit margin. These unique products help maintain the Group's competitiveness in the mid and high end markets and ensure its position as market leader.

One of the most significant factors that makes PINE different from many other companies is our unique marketing and distribution expertise. PINE has focused on the development of Mass Merchant business as an extension of our channel expansion, which is contributing about 10% to our total turnover. Over the years, this channel has continued to strengthen. Recently we came into an agreement with Toshiba and Pioneer on a co-branding marketing event for their DVD product in North America. Such effort is anticipated to contribute about 3% of our total turnover in the coming year.

This coupled as well with strategic expansion into a multi-billion national chain stores is expected to provide a positive financial impact on turnover in the coming quarters. Beginning this Feb, we started business with Best Buy, the No. 1 specialty retailer of consumer electronics, personal computers, entertainment software and appliances in the US which has over 400 stores, and a US\$15 billion revenue.

The imminent accession of the PRC to the World Trade Organization will peak interest in the PRC and drive up demand for PRC-related business intelligence. As a pioneer in this field, we have accumulated significant advantages and will directly benefit. With our market knowledge and extensive marketing channels worldwide, the Group will win with a host of new and flourishing business opportunities.

Despite the worldwide economic downturn, our solution is to keep PINE competitive through:

1. Overhead efficiency improvement — We are gearing up to be a much leaner and more resource-efficient company. We continue our pursuit on the structural enhancement plan to streamline overhead and maintain costs to better efficiency and productivity.
2. R & D capability enhancement — Our aim is to lift up the Group's overall market position with innovative products and quality services. Target-wise we see the sales of our own brand products shooting for double-digit sales revenue growth over the next 3 years.
3. Product image building — We remain focused on PINE branded products to ensure a higher overall profit margin. The Group's extensive distribution network will help us increase market share and build a stronger brand image and brand value. This will allow us to hit the mid and high-end markets and assure a continuation of the Group's profit margins.

Faced with such fast-changing market conditions and shifting sentiments in the industry, the Group has responded swiftly and aligned our focus to derive maximum value for our shareholders while minimizing business risks and any potential downside. This is reflected in our underlying business strength and commitment to build a balanced business in the new economy.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

Interests in Share Capital

As at 31 March 2001, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

| Name of director | Number of shares held | | |
|------------------|-----------------------|--------------------|-------------|
| | Corporate Interests | Personal Interests | Total |
| Chiu Hang Tai | 161,766,000 (Note 1) | — | 161,766,000 |
| Ong Se Mon | 90,486,000 (Note 2) | 318,000 | 90,804,000 |

Note 1: The 161,766,000 shares are owned by Alliance Express Group Limited which is wholly owned by Mr. Chiu Hang Tai.

Note 2: The 90,486,000 shares are owned by Maiden Undertaking Limited which is wholly owned by Mr. Ong Se Mon. In addition, Mr. Ong Se Mon personally own 318,000 shares of the Company. Together with his interests in Maiden Undertaking Limited, Mr. Ong Se Mon beneficially owns 90,804,000 ordinary shares of the Company, representing an effective interests of approximately 13.30%.

In addition to above, Mr. Chiu Hang Tai beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Group.

The non-voting deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK\$1,000 million, as specified in the Articles of Association of the company, to holders of ordinary shares.

Save as disclosed above, none of the Directors or their associates had any interests in the share capital of the Company or its associated corporations (as defined in the SDI Ordinance).

The interests of the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) in the share capital of the Company are the same as disclosed above.

Interests in Share Options

Pursuant to the share option scheme of the Company adopted on 9 November 1999, the Directors and employees of the Company and its subsidiaries may be granted share options to subscribe for shares of HK\$0.10 each of the Company.

As at 31 March 2001, share options of directors to subscribe for shares in the Company are as follows:

| Name of director | Date of grant | Exercisable period | Exercise price | Option granted |
|------------------------|---------------|------------------------|----------------|----------------|
| Chiu Hang Tai | 31.1.2000 | 28.1.2001 to 27.1.2006 | 1.674 | 1,088,000 |
| | 31.1.2000 | 28.1.2002 to 27.1.2007 | 1.674 | 1,088,000 |
| | 10.7.2000 | 28.1.2001 to 27.1.2004 | 1.056 | 1,088,000 |
| Ong Se Mon | 31.1.2000 | 28.1.2001 to 27.1.2006 | 1.674 | 1,904,000 |
| | 31.1.2000 | 28.1.2002 to 27.1.2007 | 1.674 | 1,904,000 |
| | 10.7.2000 | 28.1.2001 to 27.1.2004 | 1.056 | 1,904,000 |
| Chiu Hang Chin, Samson | 31.1.2000 | 28.1.2001 to 27.1.2006 | 1.674 | 1,088,000 |
| | 31.1.2000 | 28.1.2002 to 27.1.2007 | 1.674 | 1,088,000 |
| | 10.7.2000 | 28.1.2001 to 27.1.2004 | 1.056 | 1,088,000 |
| Ng Yuk Chun | 31.1.2000 | 28.1.2001 to 27.1.2006 | 1.674 | 300,000 |
| | 31.1.2000 | 28.1.2002 to 27.1.2007 | 1.674 | 300,000 |
| | 10.7.2000 | 28.1.2001 to 27.1.2004 | 1.056 | 300,000 |
| | 10.7.2000 | 10.7.2001 to 9.7.2004 | 1.24 | 200,000 |

As at 31 March 2001, none of the Directors have exercised any of the share options and no allotment and issue of shares pursuant to the exercise of share options have been made nor was there any cancellation and/or re-issue of share options to Directors.

Saved as disclosed above, at no time during the Nine-Month Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire the benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, in addition to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company.

| Name | Number of the shares held (Note) |
|-------------------------------------|---|
| Chiu Kwong Chi | 236,758,500 |
| Wong Wai Ying | 236,758,500 |
| Concept Express Investments Limited | 122,760,000 |
| Fireball Resources Limited | 113,998,500 |

Note: Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. Therefore Mr. Chiu Kwong Chi and Madam Wong Wai Ying each is deemed to be interested in 236,758,500 Shares of which 122,760,000 shares relating to those shares beneficially owned and registered in the name of Concept Express Investments Limited which is beneficially owned as to 47.82% of its entire issued share capital by Mr. Chiu Kwong Chi; and 113,998,500 shares relating to those shares beneficially owned and registered in the name of Fireball Resources Limited which is wholly owned by Madam Wong Wai Ying.

SPONSOR'S INTERESTS

Core Pacific - Yamaichi International (H.K.) Limited, an associate of the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("CPY") (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) was beneficially interested in 8,784,000 shares (representing approximately 1.29% of total share capital) of HK\$0.10 each in the share capital of the Company as at 31 March 2001 and 11 May 2001. In addition, an employee of Core Pacific - Yamaichi Securities (H.K.) Limited, an associate of the Company's Sponsor, was beneficially interested in 50,000 shares of HK\$0.10 each in the share capital of the Company as at 31 March 2001 and 11 May 2001. Except for the interest of Core Pacific - Yamaichi International (H.K.) Limited and an employee of Core Pacific - Yamaichi Securities (H.K.) Limited mentioned above, the Company's sponsor, directors, employees or associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had no interest in the shares of the Company as at 31 March 2001 and 11 May 2001.

Pursuant to the agreement dated 15 November 1999 entered into between the Company and CPY, CPY has received and will receive a fee for acting as the Company's retained sponsor for the period from 26 November 1999 to 30 June 2002.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee has two members comprising the two independent non-executive Directors, Mr. Lo Wai Hung and Mr. Li Chi Chung.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased 1,964,000 shares at a total cost of HK\$1,069,000 or at an average price of HK\$0.544 per share during the period from 21 February 2001 to 27 February 2001. Save as disclosed above, neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's shares during the nine months ended 31 March 2001.

By order of the Board

Chiu Hang Tai

Chairman

Hong Kong, 14 May 2001