

# P I N E

THE 3RD QUARTERLY REPORT 2001 / 2002



[www.pinegroup.com](http://www.pinegroup.com)

**PINE TECHNOLOGY HOLDINGS LIMITED**

## **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 in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, 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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS FOR THE NINE-MONTH PERIOD**

---

- Revenue reported at approximately US\$62,913,000 for the Quarterly Period.
- Net profit attained at approximately US\$429,000 in the Quarterly Period.
- Significant return from the continuous development of the Mass Merchant channel was recorded in this quarter.

## **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 2002. The third quarterly report for the nine months ended 31 March 2002 has been reviewed by the Company’s audit committee.

### **Nine-Month Period**

The unaudited consolidated loss of the Group for the Nine-Month Period was approximately US\$339,000 compared to the unaudited consolidated profit of the Group of approximately US\$1,129,000 for the corresponding nine-month period in 2001. Unaudited consolidated turnover of the Group for the Nine-Month Period was approximately US\$182,044,000, representing a drop of about 22.94% over the unaudited consolidated turnover of the Group of approximately US\$236,248,000 for the corresponding nine-month period in 2001.

The unaudited gross profit margin of the Group was approximately 8.86% for the Nine-Month Period which was about 0.86% higher than the unaudited gross profit margin of the Group of approximately 8.00% for the corresponding nine-month period in 2001.

### **Quarterly Period**

The unaudited consolidated profit of the Group for the Quarterly Period was approximately US\$429,000 compared to the unaudited consolidated loss of the Group of approximately US\$854,000 for the corresponding quarterly period in 2001. Unaudited consolidated turnover of the Group for the Quarterly Period was about US\$62,913,000, representing a drop of about 15.8% over the unaudited consolidated turnover of the Group of US\$74,716,000 for the corresponding quarterly period in 2001.

The unaudited gross profit margin of the Group was approximately 8.58% for the Quarterly Period which was about 1.85% higher than the unaudited gross profit margin of the Group of approximately 6.73% for the corresponding quarterly period in 2001.

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 2001 are as follows:

	Notes	Nine months ended		Three months ended	
		31 March		31 March	
		2002	2001	2002	2001
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	<b>182,044</b>	236,248	<b>62,913</b>	74,716
Cost of sales		<b>165,911</b>	217,350	<b>57,517</b>	69,684
Gross profit		<b>16,133</b>	18,898	<b>5,396</b>	5,032
(Loss)/profit before taxation		<b>(366)</b>	1,459	<b>476</b>	(673)
Taxation	3	<b>(248)</b>	(330)	<b>(73)</b>	(181)
(Loss)/profit after taxation		<b>(614)</b>	1,129	<b>403</b>	(854)
Minority interests		<b>275</b>	—	<b>26</b>	—
(Loss)/profit for the period		<b>(339)</b>	1,129	<b>429</b>	(854)
(Loss)/ earnings per share	4				
(US cents)					
— Basic		<b>(0.050)</b>	0.165	<b>0.063</b>	(0.125)
— Diluted		<b>N/A</b>	N/A	<b>0.057</b>	N/A

Notes:

### 1. Basis of presentation

The accounts have been prepared under the historical cost convention, modified for the revaluation of certain investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### 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		Three months ended	
	31 March		31 March	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacture and sales of products under the Group's brand names	66,999	77,941	26,136	22,692
Distribution of other manufacturers products	115,045	158,307	36,777	52,024
	<u>182,044</u>	<u>236,248</u>	<u>62,913</u>	<u>74,716</u>

### 3. Taxation

	Nine months ended		Three months ended	
	31 March		31 March	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
— Hong Kong Profits Tax	(20)	—	(20)	—
— Taxation arising in other jurisdictions	(228)	(330)	(53)	(181)
	<u>(248)</u>	<u>(330)</u>	<u>(73)</u>	<u>(181)</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. Loss/earnings per share

No diluted earnings per share has been presented for the Nine-Month Period because the exercise of the Company's outstanding share options and conversion of the Company's outstanding convertible bonds would result in a decrease in net loss per share.

The calculation of the basic (loss)/earnings per share for the Nine-Month Period, the Quarterly Period, the corresponding nine-month period and quarterly period in 2001, and diluted earnings per share for the Quarterly Period are based on the following data:

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
(Loss)/earning for the purpose of				
basic (loss)/earnings per share (US\$)	<b>(339,000)</b>	1,129,000	<b>429,000</b>	(854,000)
Effect of dilutive potential ordinary shares				
in respect of:				
— Interest on convertible bonds	<u>—</u>	<u>—</u>	<u>22,500</u>	<u>—</u>
	<u><b>(339,000)</b></u>	<u>1,129,000</u>	<u><b>451,500</b></u>	<u>(854,000)</u>
Weighted average number of				
ordinary shares for the purpose				
of basic (loss)/earnings per share	<b>682,786,000</b>	684,486,124	<b>682,786,000</b>	683,946,644
Effect of dilutive potential ordinary share				
in respect of:				
— Option	<b>N/A</b>	N/A	<b>—</b>	N/A
— Convertible bonds	<b>N/A</b>	N/A	<b>109,808,893</b>	N/A
Weighted average number of				
ordinary shares for the purpose				
of diluted earnings per share	<u><b>N/A</b></u>	<u>N/A</u>	<u><b>792,594,893</b></u>	<u>N/A</u>

## 5. Share premium and reserves

	Nine months ended 31 March							2001
	2002							
	Share	Surplus	Exchange	Goodwill	Capital	Accumulated	Total	
	premium	account	reserve	reserve	reserve	profits		
account	account	reserve	reserve	reserve	profits	Total	Total	
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Beginning of the period	22,215	2,954	(192)	(1,611)	63	13,633	37,062	36,291
Repurchase of share	—	—	—	—	—	—	—	(112)
Exchange differences on translation of overseas operations	—	—	80	—	—	—	80	(73)
Transfer to accumulated profits	—	—	—	33	—	(33)	—	—
(Loss)/profit for the period	—	—	—	—	—	(306)	(306)	1,129
End of period	<u>22,215</u>	<u>2,954</u>	<u>(112)</u>	<u>(1,578)</u>	<u>63</u>	<u>13,294</u>	<u>36,836</u>	<u>37,235</u>

## 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 nine-month period and quarterly period 2001.

## Business Review

Uniquely established mass merchant network, steady development of the own brand products and slimmed operation structure helped Pine attain net profit at approximately US\$429,000 in this quarterly period. Pine reported revenue of approximately US\$62,913,000.

Significant financial return from the robust development in the Mass Merchant channel was recorded this quarter through capturing real business opportunities. Apart from securing revenue, the success is also a building block for us to acquire more valuable business partners. This rapid expansion will continue to create new revenue streams and building on which allows us to explore new arena of innovation.

The recent Evan research showed that Samtack, a subsidiary of Pine is a big player of storage products, acquiring 11% in Canadian market. Being chosen by the world-renowned retail chain, Best Buy, as a strong supplier in the storage assortment products represented Pine's growing recognition in global market and at the same time it was also a demonstration of the high quality of our products.

With our focus on gross profit margin rather than revenue, turnover for the period dropped while gross profit margin in percentage term increased compared with the corresponding period in last year. We believe this strategy could enhance our business objectives to be a leaner and resource-efficient company.

Streamlined activities and reorganization kept overheads low and maintained a smart allocation of resources. Pine deliberately kept and ran the business at a low inventory level to enhance the efficiency of working capital. All these operational enhancements had maintained our profitability and competitiveness and allowed us to benefit from economic recovery.

## **Business Prospects**

Maximizing the most financial return through building highly visible brand names and fostering valuable partnership will continue to be Pine's key business objectives.

The group has proposed a RMB100 million joint venture in Chengdu, PRC with two independent third parties to engage in the manufacturing and distribution of computer related hardware. The joint venture enables us enjoying a longer tax holiday and is expected to further promote Pine as an advanced technology company.

The acquisition of Taiwan motherboard manufacturer, Pro Team Computer Corporation, is expected to better allocate resources through maximizing the use of existing manufacturing capacity. Through Pro-Team's long established business channels, the acquisition is believed to contribute substantially to the Group's future revenue growth.



Pine will carry on building its own brand name through strengthening Mass Merchant sales in the North America with a broadened customer base and new accounts to secure extra source of revenue. Expecting to deliver better profit margin, the latest Internet Appliance product, a multi-audio player SA6500 will be launched in the coming quarter, which is targeted at the tier one OEM customer in Europe & USA.

Growing profitability is a strong drive for us to excel. We believe that the worst is coming behind us and more signs of recovery are showing in the industry. Enriched efficiency and productivity is providing the Group a smooth track to ride on and grow faster as economy picks up. Our unyielding commitment will bring to our shareholders values and returns in the near future.

## ***DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS***

### **Interests in Share Capital**

As at 31 March 2002, the interests of the directors and their associates' interest in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") are as follows:

<b>Director</b>	<b>Corporate interests</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Other interests</b>	<b>Total interests</b>
Chiu Hang Tai	161,766,000 (Note 1)	—	—	—	161,766,000
Ong Se Mon	90,486,000 (Note 2)	318,000	—	—	90,804,000

Notes:

1. These shares are beneficially owned by and registered in the name of Alliance Express Group Limited. Mr. Chiu Hang Tai beneficially owns the entire issued share capital of Alliance Express Group Limited.
2. These shares are beneficially owned by and registered in the name of Maiden Undertaking Limited. Mr. Ong Se Mon beneficially owns the entire issued capital of Maiden Undertaking Limited.

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 as at 31 March 2002. 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.

Apart from the above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations as at 31 March 2002.

### 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 2002, 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	1.240	200,000

As at 31 March 2002, 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.

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 2002, 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.

<b>Name</b>	<b>Number of shares held (Note)</b>	<b>Percentage of issued share capital</b>
Mr. Chiu Kwong Chi	174,998,732	25.63%
Madam Wong Wai Ying	174,998,732	25.63%
Concept Express Investments Limited	122,760,000	17.98%

*Note:* Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. By virtue of the SDI Ordinance, Mr. Chiu Kwong Chi and Madam Wong Wai Ying are each deemed to be interested in 174,998,732 shares of which 122,760,000 shares are 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 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly owned by Madam Wong Wai Ying.

## ***SPONSOR'S INTERESTS***

---

As notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), as at 31 March 2002, two wholly-owned subsidiaries of Core Pacific-Yamaichi International (H.K.) Limited ("CPYI"), an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY, beneficially interested 192,000 shares of HK\$0.10 each in the share capital of Company. In addition, five employees of CPYI were beneficially interested in 60,000 shares of HK\$0.10 each in the share capital of the Company as at 31 March 2002. Except for the interest of Core Pacific-Yamaichi International (H.K.) Limited and its employee mentioned above, the Company's sponsor, directors, employees or associate (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) had no interested in the shares of the Company as at 31 March 2002.

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.

## ***COMPLIANCE WITH RULE 5.28 TO 5.39 OF THE GEM LISTING RULES***

---

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-Month Period.

***PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES***

---

During the Nine-Month Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board

**Chiu Hang Tai**

*Chairman*

Hong Kong, 10 May 2002