

PINE  TECHNOLOGY HOLDINGS LIMITED

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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 THIRD-QUARTERLY PERIOD

- Revenue attained at approximately US\$56,752,000 for the Quarterly Period.
- Net profit reported at approximately US\$331,000 for the Quarterly Period.
- Gross profit margin was approximately 9.15% for the Quarterly Period which was about 6.64% higher than the corresponding quarterly period in 2002.

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 2003. The third quarterly report for the nine months ended 31 March 2003 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\$1,493,000 as compared to the unaudited consolidated loss of the Group of approximately US\$339,000 for the corresponding nine-month period in 2002. Unaudited consolidated turnover of the Group for the Nine-Month Period was approximately US\$178,373,000, which was 2.02% lower than the unaudited consolidated turnover of the Group of approximately US\$182,044,000 for the corresponding nine-month period in 2002.

The unaudited gross profit margin of the Group was approximately 7.81% for the Nine-Month Period which was about 11.85% lower than the unaudited gross profit margin of the Group of approximately 8.86% for the corresponding nine-month period in 2002.

Quarterly Period

The unaudited consolidated profit of the Group for the Quarterly Period was approximately US\$331,000 as compared to the unaudited consolidated profit of the Group of approximately US\$429,000 for the corresponding quarterly period in 2002. Unaudited consolidated turnover of the Group for the Quarterly Period was about US\$56,752,000, representing a drop of about 9.79% over the unaudited consolidated turnover of the Group of US\$62,913,000 for the corresponding quarterly period in 2002.

The unaudited gross profit margin of the Group was approximately 9.15% for the Quarterly Period which was about 6.64% higher than the unaudited gross profit margin of the Group of approximately 8.58% for the corresponding quarterly period in 2002.

BUSINESS REVIEW

Against a potentially unstable effect to the global economy from the warfare in the Middle East, the Group has still been able to manage to sustain the business momentum and reported a revenue of approximately US\$56,752,000 and after tax net profit of approximately US\$331,000 for the Quarterly Period.

We have started to witness the gradual materialisation of the strategic objectives from the business consolidation strategy of focusing on the core businesses and customers. This has begun to contribute to more steady and sustainable revenue and gross margin. It is also encouraging to see the higher margin own branded product line continued to contribute nearly 45% of the Group's total revenue for three consecutive quarters. This has been a solid progress to our targeted 50-50 revenue combination between the distribution of other manufacturers' products and the manufacture and sale of the Group's own branded product lines.

The recent outburst of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong and China has indeed created a total different nature of challenge and high impact potential risk, especially to our manufacturing facilities in China and the operation center in Hong Kong. Thanks to the whole team's proactive attitude and paranoid mindset to implementing a wide scope of special measures and a numbers of contingency plans to ensure the running of the operation and business can and will continue in all various scenarios. So far, there is little impact to the operation of the business since the outburst. However the effect of the outbreak of SARS to the economy has not been fully reflected, the Board will continue to monitor the impact to the Group according to the future development. Of course, these measures and more importantly, the paranoid mindset and proactiveness will continue to be the underlying principle in execution before the total control of SARS in the communities.

BUSINESS PROSPECTS

It is still our prediction that the macro economy and industry of the near future will continue to be at a lackluster state. However, we do foresee our revenue base to continue to grow albeit in a slow pace and the further improvement of the profitability, as we continue to see the strengthening of market position and brand image of our XFX video graphic and motherboard series plus the continued solid demand from the Mass Merchant channels.

Our objective is to continue to exercise a high level of execution discipline in focusing single-mindedly on our core businesses and to persist to enhance the implementation of the fundamentals of product development, channel solidification, overhead control and effective cash flow management to ensure the Group will ride out this lackluster period in an ever stronger position.

In closing, I would like to thank the management and staff whose energy and creativity are always at good supply. And it is their unyielding commitment to bring value and returns to our shareholders to continue to deliver a successful result to this quarter.

Unaudited Consolidated Profit and Loss Account

The unaudited consolidated results of the Group for the Nine-Month Period and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 2002 are as follows:

	Notes	Unaudited			
		Nine months ended		Three months ended	
		31 March		31 March	
		2003	2002	2003	2002
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	178,373	182,044	56,752	62,913
Cost of sales		(164,446)	(165,911)	(51,558)	(57,517)
Gross profit		13,927	16,133	5,194	5,396
(Loss)/profit from operation		(270)	713	913	830
Profit on disposal of investment in securities		375	–	–	–
Loss on disposal of a subsidiary		–	(28)	–	–
Finance costs		(1,545)	(1,051)	(548)	(354)
(Loss)/profit before taxation		(1,440)	(366)	365	476
Taxation	3	(49)	(248)	(33)	(73)
(Loss)/profit after taxation		(1,489)	(614)	332	403
Minority interests		(4)	275	(1)	26
(Loss)/profit for the period		(1,493)	(339)	331	429
(Loss)/earnings per share (US cents)	4				
– Basic		(0.219)	(0.050)	0.048	0.063
– Diluted		N/A	N/A	0.043	0.057

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 the Nine-Month Period and the Quarterly Period is as follows:

	Nine months ended		Three months ended	
	31 March		31 March	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names	81,182	66,999	25,253	26,136
Distribution of other manufacturers' products	97,191	115,045	31,499	36,777
	178,373	182,044	56,752	62,913

3. Taxation

	Nine months ended		Three months ended	
	31 March		31 March	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
– Hong Kong Profits Tax	–	(20)	–	(20)
– Taxation arising in other jurisdictions	(49)	(228)	(33)	(53)
	(49)	(248)	(33)	(73)

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 and the corresponding nine-month period in 2002 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 2002, and diluted earnings per share for the Quarterly Period and the corresponding quarterly period in 2002 are based on the following data:

	Nine months ended		Three months ended	
	31 March		31 March	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/earnings for the purpose of:				
basic (loss)/earnings per share (US\$)	(1,493,000)	(339,000)	331,000	429,000
Effect of dilutive potential				
ordinary shares in respect of:				
– Interest on convertible bonds	–	–	11,625	22,500
	<u>(1,493,000)</u>	<u>(339,000)</u>	<u>342,625</u>	<u>451,500</u>
Weighted average number of				
ordinary shares for the purpose				
of basic (loss)/earnings per share	682,786,000	682,786,000	682,786,000	682,786,000
Effect of dilutive potential				
ordinary share in respect of:				
– Convertible bonds	N/A	N/A	109,808,893	109,808,893
Weighted average number of				
ordinary shares for the purpose				
of diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>792,594,893</u>	<u>792,594,893</u>

The share options have no dilutive effect on ordinary shares for the Quarterly Period and the corresponding quarterly period in 2002 because the exercise price of the Company's share options was higher than the average market price for shares for the period.

5. Share premium and reserves

	Share premium account US\$'000	Surplus account US\$'000	Exchange reserve US\$'000	Goodwill reserve US\$'000	Capital reserve US\$'000	Investments revaluation reserve US\$'000	Accum- ulated profits US\$'000	Total US\$'000
Balance at 1 July 2001	22,215	2,954	(192)	(1,611)	63	-	13,633	37,062
Exchange differences on translation of overseas operations	-	-	80	-	-	-	-	80
Release upon disposal of a subsidiary	-	-	-	33	-	-	-	33
Loss for the period	-	-	-	-	-	-	(339)	(339)
Balance at 31 March 2002	<u>22,215</u>	<u>2,954</u>	<u>(112)</u>	<u>(1,578)</u>	<u>63</u>	<u>-</u>	<u>13,294</u>	<u>36,836</u>
Balance at 1 July 2002	22,215	2,954	(1)	(1,578)	67	1,997	14,032	39,686
Exchange differences on translation of overseas operations	-	-	(15)	-	-	-	-	(15)
Release on disposal of a non-current investment in securities	-	-	-	-	-	(560)	-	(560)
Loss for the period	-	-	-	-	-	-	(1,493)	(1,493)
Balance at 31 March 2003	<u>22,215</u>	<u>2,954</u>	<u>(16)</u>	<u>(1,578)</u>	<u>67</u>	<u>1,437</u>	<u>12,539</u>	<u>37,618</u>

INTERIM DIVIDEND

The directors do not recommend the payment of any 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 in 2002.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2003, the interests of the directors and chief executive of the Company and their respective associates (as defined in the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")) in the share capital and options of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") repealed with the coming into effect of the Securities and Futures Ordinance on 1 April 2003) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.49 of the GEM Listing Rules, were as follows:

Shares of the Company

Name of director	Number of ordinary shares held				Total
	Corporate interests	Personal interests	Family interests	Other interests	
Chiu Hang Tai	161,766,000 (Note 1)	–	–	–	161,766,000

Note:

- 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.

In addition to the above, Mr. Chiu Hang Tai was interested in a total of 1,200,000 (including 600,000 personal interest and 600,000 family interest) non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Group as at 31 March 2003. 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 chief executive of the Company nor their respective 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 2003.

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 2003, the following directors were granted share options to subscribe for shares in the Company, details of which are as follows:

Name of director	Date of grant	Exercisable period	Exercise price HK\$	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
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

As at 31 March 2003, none of the directors of the Company 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 and the chief executive of the Company, 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 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, the following shareholders (not being directors or chief executive of the Company) was interested in 10% or more in the issued share capital of the Company.

Name	Number of shares held	Approximate percentage of issued share capital
Mr. Chiu Kwong Chi	174,998,732 (Note 1)	25.63%
Madam Wong Wai Ying	174,998,732 (Note 1)	25.63%
Mr. Ong Se Mon	90,804,000 (Note 2)	13.30%
Concept Express Investments Limited	122,760,000 (Note 1)	17.98%
Maiden Undertaking Limited	90,486,000 (Note 2)	13.25%

Notes:

1. 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.
2. Mr. Ong Se Mon beneficially owns the entire issued capital of Maiden Undertaking Limited. In addition, 318,000 shares are personally owned by Mr. Ong.

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 of the Company, Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen.

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-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, 14 May 2003