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**Brighter Ideas**

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

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- Revenue attained at approximately US\$61,073,000 for the three-month period ended 30 September 2003.
- Net profit reported at approximately US\$268,000 for the three-month period ended 30 September 2003.
- Gross profit margin was approximately 6.90% for the three-month period ended 30 September 2003 which was about 33.46% higher than the corresponding quarterly period in 2002.

## **FIRST QUARTERLY RESULTS**

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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 three months (the “Three-Month Period”) ended 30 September 2003. The first quarterly report for the three months ended 30 September 2003 has been reviewed by the Company’s audit committee.

The unaudited consolidated profit of the Group for the Three-Month Period was approximately US\$268,000, as compared to the unaudited consolidated loss of the Group of approximately US\$2,039,000 for the corresponding quarterly period in 2002. Unaudited consolidated turnover of the Group for the Three-Month Period was about US\$61,073,000, representing a slight decrease of about 2.43% over the unaudited consolidated turnover of the Group of US\$62,596,000 for the corresponding three-month period in 2002.

The unaudited gross profit margin of the Group was approximately 6.90% for the Three-Month Period which was about 33.46% higher than the unaudited gross profit margin of the Group of approximately 5.17% for the corresponding three-month period in 2002.

The unaudited consolidated results of the Group for the Three-Month Period, together with the unaudited comparative figures for the corresponding three-month period in 2002 are as follows:

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2003</b>	<b>2002</b>
		<b>US\$'000</b>	<b>US\$'000</b>
Turnover	2	<b>61,073</b>	62,596
Cost of sales		<b>(56,861)</b>	(59,362)
		<hr/>	<hr/>
Gross profit		<b>4,212</b>	3,234
Other operating income		<b>52</b>	423
Profit/(Loss) from operation		<b>278</b>	(2,039)
Share of results of a jointly controlled entity		<b>25</b>	–
		<hr/>	<hr/>
Profit/(Loss) before taxation		<b>303</b>	(2,039)
Taxation	3	<b>(31)</b>	(21)
		<hr/>	<hr/>
Profit/(Loss) after taxation		<b>272</b>	(2,060)
Minority interests		<b>(4)</b>	21
		<hr/>	<hr/>
Profit/(Loss) for the period		<b>268</b>	(2,039)
		<hr/> <hr/>	<hr/> <hr/>
Earnings/(Loss) per share ( <i>US cents</i> )	4		
– Basic		<b>0.039</b>	(0.299)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

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 Three-Month Period were as follows:

	<b>Three months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Manufacture and sale of products under the Group's brand names	<b>27,143</b>	29,423
Distribution of other manufacturers' products	<b>33,930</b>	33,173
	<u><b>61,073</b></u>	<u>62,596</u>

## 3. Taxation

	<b>Three months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>US\$'000</b>	<b>US\$'000</b>
The charge comprises:		
– Hong Kong Profits Tax	–	–
– Taxation arising in other jurisdictions	<b>(31)</b>	(21)
	<u><b>(31)</b></u>	<u>(21)</u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the Three-Month 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 Three-Month Period, and the corresponding three-month period in 2002 is based on the following data:

	<b>Three months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
Earnings/(Loss) for the purpose of:		
Basic earnings/(loss) per share (US\$)	<u><b>268,000</b></u>	<u>(2,039,000)</u>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u><b>682,786,000</b></u>	<u>682,786,000</u>

No diluted earnings per share is presented for the Three-Month Period as the exercise prices of the Company's share options were higher than the average market price for shares in the Three-Month Period.

No diluted loss per share has been presented for the corresponding three-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.

## 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	Accumu- lated profits US\$'000	Total US\$'000
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	-	-	(206)	-	-	-	-	(206)
Release upon disposal of a non-current investment in securities	-	-	-	-	-	(560)	-	(560)
Loss for the period	-	-	-	-	-	-	(2,039)	(2,039)
Balance at 30 September 2002	<u>22,215</u>	<u>2,954</u>	<u>(207)</u>	<u>(1,578)</u>	<u>67</u>	<u>1,437</u>	<u>11,993</u>	<u>36,881</u>
Balance at 1 July 2003	22,215	2,954	84	(1,578)	67	1,330	13,145	38,217
Exchange differences on translation of overseas operations	-	-	(48)	-	-	-	-	(48)
Revaluation decrease	-	-	-	-	-	(910)	-	(910)
Profit for the period	-	-	-	-	-	-	268	268
Balance at 30 September 2003	<u>22,215</u>	<u>2,954</u>	<u>36</u>	<u>(1,578)</u>	<u>67</u>	<u>420</u>	<u>13,413</u>	<u>37,527</u>

## **INTERIM DIVIDEND**

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

The Group has not declared any dividends for the corresponding three-month period in 2002.

## **BUSINESS REVIEW**

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I am pleased and encouraged to see our work of reforms have successfully put the Group back on the path of sustained profitability.

Against the slow seasonality of July through September, the Group has been able to report an after tax net profit of approximately US\$268,000 from a total revenue of approximately US\$61,073,000 compared to the after tax net loss of approximately US\$2,039,000 from the total revenue of approximately US\$62,596,000 in last corresponding period.

This result is a solid testimony of the importance and effectiveness of our new business model and strategy of focusing on the core business, focusing on the uplifting of our team's competence on our core business, and focusing on the execution discipline of the fundamentals, instead of the multi-directional expansion strategy of the past.

Our business revenue continues to be contributed very much equally and healthily from our own branded XFX video graphic line and our distribution line in the amount of approximately US\$27,143,000 and US\$33,930,000 respectively.

On the operation side, the past year of consolidation and streamlining has contributed to a savings of approximately US\$640,000 in this quarter's operational overheads as compared to the average quarterly operational overhead of the previous fiscal year. Besides the cost savings, the operational improvements also allow the team to act more flexibly and respond more swiftly to our customers' changing demands and the changes of the industry.

Most importantly, this result has broken our pattern of loss in the slowest quarter of July to September. It is an important indication that this turnaround and new foundation has effectively put the Group in a healthy position for both the busy and slow time.

## PROSPECTS

As we predict the PC industry will continue to develop in a modest pace in the coming year, in this financial year, we will not adopt anything vigorous and we will maintain our pace and strategy we adopted last year. Meanwhile, we will continue to fine tune this core business and reinforce our competence until it takes a firmer hold in the company and the profitability is further uplifted.

In closing, I would like to thank the management and staff who made it a success with their hard work, creativity and continuing dedication.

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

As at 30 September 2003, the interests of the directors and the chief executive of the Company and their respective associates in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### A) Ordinary Shares of HK\$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Chiu Hang Tai	Held by controlled corporation (note)	161,766,000	23.69%

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 above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited (“PIL”), a subsidiary of the Company as at 30 September 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 PIL. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of PIL only after the distribution of HK\$1,000 million, as specified in the articles of association of PIL, to holders of ordinary shares.

Saved as disclosed above, and other than certain nominee shares in subsidiaries of the Company held by directors in trust, none of the directors or the chief executive of the Company, nor their respective associates had any interests in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## B) 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 in the Company.

As at 30 September 2003, the following directors of the Company were granted share options to subscribe for shares in the Company, details of which are as follows:

<b>Name of director</b>	<b>Date of grant</b>	<b>Exercisable period</b> <i>(both dates inclusive)</i>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Number of options granted</b>
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

**SUBSTANTIAL SHAREHOLDERS**

So far as the directors and chief executive of the Company are aware of, as at 30 September 2003, the following person (not being a director or a chief executive of the Company), was interested in 5% or more in the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Chiu Kwong Chi	Held by controlled corporations ( <i>Note 1</i> )	174,998,732	25.63%
Madam Wong Wai Ying	Held by controlled corporations ( <i>Note 1</i> )	174,998,732	25.63%
Alliance Express Group Limited	Beneficial owner ( <i>Note 2</i> )	161,766,000	23.69%
Concept Express Investments Limited	Beneficial owner ( <i>Note 1</i> )	122,760,000	17.98%
Fireball Resources Limited	Beneficial owner ( <i>Note 1</i> )	52,238,732	7.65%

*Notes:*

- Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. Mr. Chiu Kwong Chi and Madam Wong Wai Ying are each deemed to be interested in 174,998,732 shares of which (i) 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% by Mr. Chiu Kwong Chi; and (ii) 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly and beneficially owned by Madam Wong Wai Ying.
- The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.

Saved as disclosed above, the directors are not aware of any person who, as at 30 September 2003, had an interest or short position in the Shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTERESTS**

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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**

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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 comprised the two independent non-executive directors, namely Messrs. Li Chi Chung and So Hon Cheung, Stephen.

## **BOARD PRACTICES AND PROCEDURES**

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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 Three-Month Period.

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

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During the Three-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, 30 October 2003