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**Brighter Ideas**

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

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## **HIGHLIGHTS FOR THE THIRD-QUARTERLY PERIOD**

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- Revenue reported at approximately US\$60,724,000 for the Quarterly Period.
- Net profit attained at approximately US\$497,000 for the Quarterly Period.

## **THIRD 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 nine months (the “Nine-Month Period”) and the three months (the “Quarterly Period”) ended 31 March 2004. The third quarterly report for the nine months ended 31 March 2004 has been reviewed by the Company’s audit committee.

## **BUSINESS REVIEW**

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Against a seasonally slower period following the peak Christmas season, PINE was still able to continue the momentum, and achieving a net profit for the Quarterly Period of US\$497,000, increased by 50% as compare with US\$331,000 for the quarterly period in 2003. Revenue for the Quarterly Period totaled US\$60,724,000, achieving steady revenue growth at 7% compare to US\$56,752,000 in prior year period. Taking the view of the full Nine-Month Period, the turnaround performance is more remarkable with net profit improved to US\$1,235,000 and revenue to US\$185,631,000 compared to net loss of US\$1,493,000 and revenue to US\$178,373,000 respectively of the corresponding nine month period last year.

Our business revenue continues to be contributed very much equally and healthily by our own branded XFX video graphic line and our distribution line in the amount of approximately US\$32,357,000 and US\$28,367,000 respectively in this Quarterly Period and of US\$85,921,000 and US\$99,710,000 respectively in the Nine-Month Period.

During this Quarterly Period, our XFX Division continued to achieve outstanding result in its product development. XFX is one of the first to develop and ship graphics product with the latest cutting edge DDR3 technology, the third generation of the mainstream Double Data Rate (DDR) SDRAM technology with speed reaching 1GHz and above, as compare to the current generation of DDR memory running at 400 MHz.

Anticipating well in advance of the fast shifting of end users demand from traditional CRT Displays to LCD Liquid-Crystal Displays, our XFX Product Marketing and R&D team also successfully developed and launched the high-end line with the unique Dual DVI feature supporting Dual LCD Displays applications. A timely feature that effectively differentiates and adding premium value to our high-end line against those of our competitors.

Over this period, our XFX famous over-clocking designs continue to win performance awards in various prestigious review websites and magazines. Our FX5900XT model, designed with target on the hardcore gamers segment, won the Editor's Choice of PC Zone Magazine, which stated, "Put Simply, it's the best value card available. The Bundle is superb, the performance is unquestionable." This continues to demonstrate how our unique gamers-centric features and our R&D's technical expertises have effectively making our XFX video graphic line the favor of the hardcore gamer community and further lift up the FGBG (For Gamer By Gamer) image of XFX.

At the same time, our Distribution Division also brought in new strategic partnership of Sams Club, which just opened five new locations in Canada. The addition of such top tier Mass Merchant to our customer profile continues to bring in strategic synergy to our market penetration and strategic value to our partnership suppliers.

We are pleased with this year's result so far. And we are particularly encouraged since this demonstrates our whole strategy of single focus on our core business, on the streamlining and simplification of our operation, and on our core competitiveness is in good working in producing a solid market position, overhead efficiency and execution swiftness that we never had before.

## ***BUSINESS PROSPECTS***

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We are optimistic of the industry as the PC industry is entering the "system changing" period a result of the peak new system installation during the millennium year of 2000. And we are particularly confident of the near and medium term prospect of PINE as we have now solidly in place a whole new infrastructure of market position, customers base, brand image, suppliers bonding, operation efficiency and various dimensions of execution expertise. We foresee PINE can and will continue to grow in both revenue and profitability with our solid leverage on our competitive position plus the more vibrant of the industry.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our suppliers, customers, bankers, and shareholders for their supports of the past year restructuring and remodeling endeavor. And most importantly, I would like to thank the whole team who has continued to make this another successful quarter through their passionate commitment and dedication to make PINE the winning company.

## Unaudited Consolidated Income Statement

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 2003 are as follows:

	Notes	Unaudited			
		Nine months ended		Three months ended	
		31 March		31 March	
		2004	2003	2004	2003
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	<b>185,631</b>	178,373	<b>60,724</b>	56,752
Cost of sales		<b>(170,714)</b>	(164,446)	<b>(54,952)</b>	(51,558)
Gross profit		<b>14,917</b>	13,927	<b>5,772</b>	5,194
Other operating income		<b>188</b>	609	<b>52</b>	(63)
Profit from operations		<b>2,418</b>	105	<b>956</b>	913
Share of results of a jointly controlled entity		<b>4</b>	–	<b>(10)</b>	–
Finance costs		<b>(1,101)</b>	(1,545)	<b>(374)</b>	(548)
Profit/(Loss) before taxation		<b>1,321</b>	(1,440)	<b>572</b>	365
Taxation	3	<b>(147)</b>	(49)	<b>(81)</b>	(33)
Profit/(Loss) after taxation		<b>1,174</b>	(1,489)	<b>491</b>	332
Minority interests		<b>61</b>	(4)	<b>6</b>	(1)
Profit/(Loss) for the period		<b><u>1,235</u></b>	<u>(1,493)</u>	<b><u>497</u></b>	<u>331</u>
Earnings/(loss) per share (US cents)	4				
– Basic		<b><u>0.181</u></b>	<u>(0.219)</u>	<b><u>0.073</u></b>	<u>0.048</u>
– Diluted		<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<u>0.043</u>

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

	Nine months ended 31 March		Three months ended 31 March	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
Manufacture and sale of products under the Group's brand names	85,921	81,182	32,357	25,253
Distribution of other manufacturers' products	99,710	97,191	28,367	31,499
	<u>185,631</u>	<u>178,373</u>	<u>60,724</u>	<u>56,752</u>

### 3. Taxation

	Nine months ended 31 March		Three months ended 31 March	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
The charge comprises:				
– Hong Kong Profits Tax	–	–	–	–
– Taxation arising in other jurisdictions	(147)	(49)	(81)	(33)
	<u>(147)</u>	<u>(49)</u>	<u>(81)</u>	<u>(33)</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no 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

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

No diluted earnings per share has been presented for the corresponding 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 earnings/(loss) per share for the Nine-Month Period, the Quarterly Period, the corresponding nine-month period and quarterly period in 2003, and diluted earnings per share for the corresponding quarterly period in 2003 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>2004</b>	2003	<b>2004</b>	2003
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Earnings/(losses) for the purpose of:				
basic earnings/(losses) per share	<b>1,235,000</b>	(1,493,000)	<b>497,000</b>	331,000
Effect of dilutive potential ordinary shares in respect of:				
– Interest on convertible bonds	–	–	–	11,625
Earnings for the purpose of calculating diluted earnings per share	<b><u>1,235,000</u></b>	<b><u>(1,493,000)</u></b>	<b><u>497,000</u></b>	<b><u>342,625</u></b>
Number of ordinary shares for the purpose of basic earnings/(losses) per share	<b>682,786,000</b>	682,786,000	<b>682,786,000</b>	682,786,000
Effect of dilutive potential ordinary share in respect of:				
– Convertible bonds	<b>N/A</b>	N/A	<b>N/A</b>	109,808,893
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>N/A</u></b>	<u>N/A</u>	<b><u>N/A</u></b>	<b><u>792,594,893</u></b>

**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 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 upon disposal of investments in Securities	-	-	-	-	-	(560)	-	(560)
Loss for the period	-	-	-	-	-	-	(1,493)	(1,493)
<b>Balance at</b>								
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>
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	-	-	(169)	-	-	-	-	(169)
Revaluation decrease	-	-	-	-	-	(1,124)	-	(1,124)
Profit for the period	-	-	-	-	-	-	1,235	1,235
<b>Balance at</b>								
31 March 2004	<u>22,215</u>	<u>2,954</u>	<u>(85)</u>	<u>(1,578)</u>	<u>67</u>	<u>206</u>	<u>14,380</u>	<u>38,159</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 2003.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2004, the interests and short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures 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 5.46 to 5.67 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
Chiu Hang Tai	Held by controlled corporation (note)	161,766,000	23.69%
Chiu Hang Chin, Samson	Beneficial owner	12,098,000	1.77%

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 31 March 2004. 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, as at 31 March 2004, none of the directors or the chief executive of the Company, nor their respective associates had, or was deemed to have, any interests or short positions in the shares, underlying shares or debentures 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 5.46 to 5.67 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 31 March 2004, 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
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

## SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 March 2004, the following persons (not being a director or a chief executive of the Company), had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
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% of its entire issued share capital 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 31 March 2004, had, or was deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### ***DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS***

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The following disclosure is made in pursuant to Rules 17.15 and 17.22 of the GEM Listing Rules.

As at 31 March 2004, a customer of the Group, Best Buy Canada Limited is independent of any of the Directors, the chief executive of the Group, the management shareholders and the substantial shareholders (within the meaning of the GEM Listing Rules), had trading balances with the Group of approximately US\$4,612,000 representing approximately 21% of the total market capitalization of the Company of US\$22,497,000. Such amount represented the outstanding balance of certain sales transactions entered into by the Group in its ordinary course of business and on normal commercial terms. It is unsecured, interest free, and with payment terms in region of 45 to 60 days.

### ***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 any 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 5.29 and 5.30 of the GEM Listing Rules. The audit committee has two members comprising the two independent non-executive Directors, Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen.

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

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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, 5 May 2004