

A vibrant forest scene with a carpet of green grass and numerous brown pinecones scattered across the ground. Several bright blue butterflies are fluttering around the pinecones. In the background, several large, dark brown tree trunks stand tall against a backdrop of green foliage.

Planting The Seeds for Solid Growth

PINE 2005 1st QUARTERLY REPORT

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 THREE-MONTH PERIOD

- Revenue reported at approximately US\$56,742,000 for the three-month period ended 30 September 2004.
- Net profit attained at approximately US\$238,000 for the three-month period ended 30 September 2004.

FIRST 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 three months (the “Three-Month Period”) ended 30 September 2004. The first quarterly report for the three months ended 30 September 2004 has been reviewed by the Company’s audit committee.

The unaudited consolidated profit of the Group for the Three-Month Period was approximately US\$238,000, as compared to approximately US\$268,000 for the corresponding quarterly period in 2003. Unaudited consolidated turnover of the Group for the Three-Month Period was about US\$56,742,000, representing a decrease of about 7.09% over the unaudited consolidated turnover of the Group of US\$61,073,000 for the corresponding three-month period in 2003.

The unaudited gross profit margin of the Group attained at approximately 6.74% for the Three-Month Period as compared with the unaudited gross profit margin of the Group of approximately 6.90% for the corresponding three-month period in 2003.

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 2003 are as follows:

		Three months ended	
		30 September	
		2004	2003
		US\$'000	US\$'000
Turnover	2	56,742	61,073
Cost of sales		(52,917)	(56,861)
		<hr/>	<hr/>
Gross profit		3,825	4,212
Other operating income		157	52
Profit from operation		241	278
Share of results of a jointly controlled entity		(8)	25
		<hr/>	<hr/>
Profit before taxation		233	303
Taxation	3	(30)	(31)
		<hr/>	<hr/>
Profit after taxation		203	272
Minority interests		35	(4)
		<hr/>	<hr/>
Profit for the period		238	268
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (US cents)	4		
– Basic		0.035	0.039
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		N/A	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:

	Three months ended	
	30 September	
	2004	2003
	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names	32,372	27,143
Distribution of other manufacturers' products	24,370	33,930
	<u>56,742</u>	<u>61,073</u>

3. Taxation

	Three months ended	
	30 September	
	2004	2003
	US\$'000	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	–	–
– Taxation arising in other jurisdictions	30	31
	<u>30</u>	<u>31</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 per share

The calculation of the basic earnings per share for the Three-Month Period, and the corresponding three-month period in 2003 is based on the following data:

	Three months ended	
	30 September	
	2004	2003
Earnings for the purpose of:		
Basic earnings per share (US\$)	<u><u>238,000</u></u>	<u><u>268,000</u></u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><u>682,786,000</u></u>	<u><u>682,786,000</u></u>

No diluted earnings per share is presented for the Three-Month Period and the corresponding three-month period in 2003 as the exercise prices of the Company's share options were higher than the average market price for shares in both periods.

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 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>
Balance at 1 July 2004	22,215	2,954	156	(1,578)	67	(115)	14,713	38,412
Exchange differences on translation of overseas operations	-	-	223	-	-	-	-	223
Revaluation decrease	-	-	-	-	-	(321)	-	(321)
Profit for the period	-	-	-	-	-	-	238	238
Balance at 30 September 2004	<u>22,215</u>	<u>2,954</u>	<u>379</u>	<u>(1,578)</u>	<u>67</u>	<u>(436)</u>	<u>14,951</u>	<u>38,552</u>

INTERIM DIVIDEND

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 2003.

BUSINESS REVIEW

In this Three-Month Period, our team has managed to deliver a net profit of US\$238,000 from the revenue of US\$56,742,000; compared to the US\$268,000 and US\$61,073,000 respectively of the corresponding quarterly period in 2003.

The dropping of revenue is mainly attributed to our Distribution Division's short term strategy of temporary de-emphasis of the Optical drive line especially the DVD R/W drive, in an anticipation of hectic market and price fluctuation during its transition to the new 16X speed from 8X speed.

Besides this, we are able to sustain our overall business momentum especially on our own branded XFX line, which contributed a revenue of US\$32,372,000, as compared to US\$27,143,000 of the corresponding period in 2003.

Overall we are pleased with this quarter's performance considering this is seasonally the slower quarter plus encountering several major technological changes in the industry which usually give rise to certain degree of conservatism of purchasing in the market.

PROSPECTS

It is our prediction that the macro economy and industry of the year will continue to progress steadily.

The potential gearing up of the migration of AGP architecture to PCI Express in the coming Christmas season will inject a new dimension of optimism especially to our XFX video graphic line.

We have all the confidence to believe the many seeds we planted and cultivated in past years will start to bear fruit this year, and put the Company on trait of steady growth of revenue and profitability in the financial year ending 30 June 2005 and onward.

In closing, I would like to thank the management and staff who contributed to this successful quarter through their hard work and continuing commitment.

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

As at 30 September 2004, 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
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 30 September 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 only entitled to distribute the remaining assets of PIL 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 schemes of the Company adopted on 9 November 1999 (the “Old Scheme”) and 16 April 2003 (the “New Scheme”), 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 2004, the following directors of the Company were granted share options to subscribe for shares in the Company, details of share options granted under the Old Scheme and the New Scheme are as follows:

Name of director	Date of grant	Exercisable period (both dates inclusive)	Exercise price per share HK\$	Number of options 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
	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
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
	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 30 September 2004, 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:

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 (Note 1)	174,998,732	25.63%
Madam Wong Wai Ying	Held by controlled corporations (Note 1)	174,998,732	25.63%
Alliance Express Group Limited	Beneficial owner (Note 2)	161,766,000	23.69%
Concept Express Investments Limited	Beneficial owner (Note 1)	122,760,000	17.98%
Fireball Resources Limited	Beneficial owner (Note 1)	52,238,732	7.65%

Notes:

1. 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.
2. 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 2004, 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.

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

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

As at 30 September 2004, the following trade receivable had trading balance with the Group exceeded 8% of the Company's total market capitalization:

	US\$	% of total market capitalization
Best Buy Canada Limited	2,458,000	19%
Avnet Technology Solution GmbH	1,045,000	8%

The above customers are 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). 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

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 5.29 to 5.30 of the GEM Listing Rules. The audit committee comprised the three independent non-executive directors, namely Messrs. Li Chi Chung, So Hon Cheung, Stephen and Xu Jian Hua.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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, 3 November 2004

松景科技2005第一季度業績報告



PINE TECHNOLOGY HOLDINGS LIMITED 松景科技控股有限公司

· Hong Kong · China · Taiwan · USA · Canada · UK · Netherlands · Portugal ·

www.pinegroup.com www.xfxforce.com