



Planting The Seeds for Solid Growth

PINE 2005 3rd QUARTERLY REPORT

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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 reported at approximately US\$69,444,000 for the Quarterly Period.
- Net profit attained at approximately US\$657,000 for the Quarterly Period.

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 2005. The third quarterly report for the nine months ended 31 March 2005 has been reviewed by the Company’s audit committee.

BUSINESS REVIEW

Our 3rd Quarter of 2005 is another exciting one to PINE, we have continued the growth momentum of profitability. Our team has delivered an increase of 32.2% of net profit after tax to US\$657,000 in this Quarterly Period against that of US\$497,000 of same period of 2004.

Revenue for the Quarterly Period totaled US\$69,444,000, a growth of 14.4% compared to US\$60,724,000 in the prior year period. Gross profit margin increased to 10.7% this quarter from the 9.5% of same period of 2004.

Taking the view of the full Nine-Month Period, our Team has delivered a net profit of US\$1,501,000 from revenue of US\$195,819,000 compared to US\$1,235,000 and US\$185,631,000 respectively of the corresponding nine-month period last year.

Over this quarterly period, revenue generated by our XFX video graphic line has continued to grow and grown by 32.6% to US\$42,912,000 from the US\$32,357,000 of the same period last year, making the full Nine-Month Period’s revenue to US\$113,668,000.

Overall, we are pleased with this quarter’s performance considering this is a seasonally slower quarter after the peak 2nd Quarter of the Christmas buying season.

BUSINESS PROSPECTS

We are particularly confident of the near and medium term prospect of PINE as we anticipate a solid steady growth of the Video Graphic Card markets especially in the high end upgrade segment. The strong branding position of our XFX Brand becomes our edge over the competition, and we believe our “For Gamers By Gamers” image will continue to generate a solid demand for our high end models.

We have now put solidly in place a whole new infrastructure of market position, customers base, brand image, partnership suppliers, operation efficiency and various dimensions of execution expertise. We foresee PINE can and will continue to grow in both revenue and profitability in both the short and medium term.

Although there are much uncertainties with the global economic situations, we do not expect any slow down of the market will have significant impact to PINE as we have always implemented a very disciplinary attitude and approach towards the areas of overhead, inventory, receivable and capital investment. Such business model and management principles will continue to be the solid stabilizing stone sitting and in working within PINE.

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. 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 2004 are as follows:

| | Notes | Unaudited | | | |
|---|-------|-------------------|-----------|--------------------|----------|
| | | Nine months ended | | Three months ended | |
| | | 31 March | | 31 March | |
| | | 2005 | 2004 | 2005 | 2004 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Turnover | 2 | 195,819 | 185,631 | 69,444 | 60,724 |
| Cost of sales | | (178,728) | (170,714) | (62,034) | (54,952) |
| Gross profit | | 17,091 | 14,917 | 7,410 | 5,772 |
| Other operating income | | 734 | 188 | 460 | 52 |
| Profit from operations | | 2,929 | 2,418 | 1,158 | 956 |
| Share of results of a jointly controlled entity | | – | 4 | 4 | (10) |
| Finance costs | | (1,275) | (1,101) | (477) | (374) |
| Profit before taxation | | 1,654 | 1,321 | 685 | 572 |
| Taxation | 3 | (313) | (147) | (88) | (81) |
| Profit after taxation | | 1,341 | 1,174 | 597 | 491 |
| Minority interests | | 160 | 61 | 60 | 6 |
| Profit for the period | | 1,501 | 1,235 | 657 | 497 |
| Earnings per share (US cents) | 4 | | | | |
| – Basic | | 0.220 | 0.181 | 0.096 | 0.073 |
| – Diluted | | N/A | N/A | N/A | 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 for the Nine-Month Period and the Quarterly Period is as follows:

| | Nine months ended | | Three months ended | |
|--|--------------------------|-----------------|---------------------------|-----------------|
| | 31 March | | 31 March | |
| | 2005 | 2004 | 2005 | 2004 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Manufacture and sale of products under the Group's brand names | 113,668 | 85,921 | 42,912 | 32,357 |
| Distribution of other manufacturers' products | 82,151 | 99,710 | 26,532 | 28,367 |
| | <u>195,819</u> | <u>185,631</u> | <u>69,444</u> | <u>60,724</u> |

3. Taxation

| Nine months ended 31 March | | Three months ended 31 March | |
|-------------------------------|----------|--------------------------------|----------|
| 2005 | 2004 | 2005 | 2004 |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |

The charge comprises:

| | | | | |
|---|---------------------|---------------------|--------------------|--------------------|
| – Hong Kong Profits Tax | – | – | – | – |
| – Taxation arising in other jurisdictions | <u>(313)</u> | <u>(147)</u> | <u>(88)</u> | <u>(81)</u> |
| | <u>(313)</u> | <u>(147)</u> | <u>(88)</u> | <u>(81)</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 per share

The calculation of the basic earnings per share for the Nine-Month Period, the Quarterly Period, the corresponding nine-month period and quarterly period in 2004 are based on the following data:

| | Nine months ended 31 March | | Three months ended 31 March | |
|---|-------------------------------|--------------------|--------------------------------|--------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Earnings for the purpose of basic earnings per share (US\$) | <u>1,501,000</u> | <u>1,235,000</u> | <u>657,000</u> | <u>497,000</u> |
| Number of ordinary shares for the purpose of basic earnings per share | <u>682,786,000</u> | <u>682,786,000</u> | <u>682,786,000</u> | <u>682,786,000</u> |

No diluted earnings per share has been presented for the Nine-Month Period, the Quarterly Period, the corresponding nine-month period and quarterly period in 2004, because the exercise prices of the Company's share options were higher than the average market price of the shares for the 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 | - | - | (169) | - | - | - | - | (169) |
| Revaluation decrease | - | - | - | - | - | (1,124) | - | (1,124) |
| Profit for the period | - | - | - | - | - | - | 1,235 | 1,235 |
| Balance at 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> |
| 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 | - | - | 288 | - | - | - | - | 288 |
| Revaluation decrease | - | - | - | - | - | (1,033) | - | (1,033) |
| Profit for the period | - | - | - | - | - | - | 1,501 | 1,501 |
| Balance at 31 March 2005 | <u>22,215</u> | <u>2,954</u> | <u>444</u> | <u>(1,578)</u> | <u>67</u> | <u>(1,148)</u> | <u>16,214</u> | <u>39,168</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 2004.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2005, 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) | 131,000,000 | 19.19% |
| Chiu Hang Chin, Samson | Beneficial owner | 103,324,732 | 15.13% |

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 2005. 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 2005, 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 “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 31 March 2005, the following directors of the Company 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 (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 31 March 2005, 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>) | 122,760,000 | 17.98% |
| Concept Express Investments Limited | Beneficial owner (<i>Note 1</i>) | 122,760,000 | 17.98% |
| Alliance Express Group Limited | Beneficial owner (<i>Note 2</i>) | 131,000,000 | 19.19% |

Notes:

1. These 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.
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 31 March 2005, 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

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

As at 31 March 2005, 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 | 1,725,000 | 16% |
| PC IZZI | 1,332,000 | 13% |
| Micro Informatica LLC | 1,174,000 | 11% |
| Avnet Technology Solution GmbH | 938,000 | 9% |
| Tiger Direct Inc. | 928,000 | 9% |
| The Business Depot Ltd. | 891,000 | 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 30 to 45 days.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference in compliance with Rule 5.29 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.46 to 5.67 (where applicable) concerning securities transactions by Directors throughout the accounting period covered by this report and all Directors have complied with the required standard of dealings set out therein.

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, 5 May 2005

As at the date of this report, executive directors are Mr. Chiu Hang Tai and Mr. Chiu Hang Chin, Samson. Independent non-executive directors are Mr. Li Chi Chung, Mr. So Hon Cheung, Stephen and Mr. Xu Jian Hua.



松景科技2005第三季度業績報告



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