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Joe Gamer: You do not know how long we've been waiting for someone to finally take notice of us and give us the credit we deserve.

AFX Insider: We'll we hope to lead the way in the birth of this new level of gaming and we know that it's gamers like you who will be the videogame rockstars of tomorrow who will get us there.

Joe Gamer: You are absolutely right!

AFX Insider: Yes and you can look to us to provide you with professional quality products that give you the competitive edge you need as a professional career gaming athlete.

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 **2006**

THIRD QUARTERLY REPORT
THE MARKET IS LISTENING

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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 THIRD-QUARTERLY PERIOD

- Revenue reported at approximately US\$94,940,000 for the Quarterly Period.
- Net profit attained at approximately US\$1,021,000 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 2006.

BUSINESS REVIEW

PINE has achieved an excellent record of continuous profitability growth in the past two and a half years. Our team has delivered a string of quarter-to-quarter growth of net profit in the past 9 out of 11 quarters since the 3rd calendar year quarter of 2003.

Our 3rd Quarter of 2006 was another exciting one of momentum growth. The team has delivered an increase of 55% of net profit after tax to US\$1,021,000 in this quarter against that of US\$657,000 of same period of 2005.

Revenue for the Quarterly Period totaled US\$94,940,000, a growth of 37% compared to US\$69,444,000 in the prior year period. Gross profit margin dipped slightly to 10.4% this quarter from the 10.7% of same period of 2005.

Taking the view of the full Nine-Month Period, we delivered a net profit of US\$2,280,000 from revenue of US\$269,248,000, compared to US\$1,501,000 and US\$195,819,000 respectively of the corresponding nine-month period last year.

This 52% growth of net profit generated from the 37% growth of revenue of the full Nine-Month Period is a clear testimonial of the success of our business strategy pursuing a conscious balance toward profitability and market share growth.

Over this quarterly period, revenue generated by our XFX video graphic line has continued to grow and grown by 56% to US\$66,910,000 from the US\$42,912,000 of the same period last year. It is a stunning series of achievement when viewed against the growth of 41% in the 1st quarter and 39% in the 2nd quarter of this financial year.

On March 9, we have stunned the market and made another record to the industry by launching simultaneously a total of 17 skus of video cards out of our 3 new XFX top of the line models, and making this the XFX showcase in CeBIT, the world's largest Information and Communication Technologies (ICT) fair took place in Hannover Germany.

On February 2006, CHIP MAGAZINE, the largest IT print magazine of Germany, awarded XFX "Platz 1" (number 1) to XFX's XXX Edition of GeForce 7800GTX 512MB DDR3, and commented that "the test-lab boys did not believe their eyes, when they started to perform the first benchmark tests. This product was faster and more quiet than they have ever seen before in NVIDIAs masterclass. Performance is awesome. Sound can hardly be heard and power consumption even dropped by a considerable percentage. OK, pricing is not for the many, but paying for this "monster" definitely gets you the absolute power for quite some time. XFX has definitely the Best of the Best with its XXX Edition and therefore CHIP's Verdict is nothing less then the Platz 1..." We are very much honored by this kind of industry endorsement which reinforce our belief that focusing to develop the "best" graphic card to the gaming community is the right direction to pursue.

BUSINESS OVERLOOK

Looking beyond 2006, we are excited with the business opportunity ahead of us. We believe that our business momentum will continue to grow, as we do believe XFX is the choice of preference today when it comes to video graphic card with robust, good performance, professional supports and services, and the soul of Gaming.

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 2005 are as follows:

	Notes	Unaudited			
		Nine months ended		Three months ended	
		31 March		31 March	
		2006	2005	2006	2005
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	269,248	195,819	94,940	69,444
Cost of sales		(244,682)	(178,728)	(85,077)	(62,034)
Gross profit		24,566	17,091	9,863	7,410
Other operating income		769	734	422	460
Profit from operations		4,954	2,929	2,463	1,158
Share of results of associate		(117)	–	(168)	–
Share of results of a jointly controlled entity		–	–	–	4
Finance costs		(2,210)	(1,275)	(951)	(477)
Profit before taxation		2,627	1,654	1,344	685
Taxation	3	(532)	(313)	(324)	(88)
Profit after taxation		2,095	1,341	1,020	597
Minority interests		185	160	1	60
Profit for the period		2,280	1,501	1,021	657
Earnings per share (US cents)	4				
– Basic		0.334	0.220	0.150	0.096
– Diluted		0.334	N/A	0.149	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	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names:	165,962	113,668	66,910	42,912
Distribution of other manufacturers' products	103,286	82,151	28,030	26,532
	269,248	195,819	94,940	69,444

3. Taxation

	Nine months ended		Three months ended	
	31 March		31 March	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
– Hong Kong Profits Tax	–	–	–	–
– Taxation arising in other jurisdictions	(532)	(313)	(324)	(88)
	(532)	(313)	(324)	(88)

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 2005, and diluted earnings per share for the Nine-Month Period and the Quarterly Period are based on the following data:

	Nine months ended		Three months ended	
	31 March		31 March	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
Earnings for the purpose of basic earnings per share (US\$)	<u>2,280,000</u>	<u>1,501,000</u>	<u>1,021,000</u>	<u>657,000</u>
Number of ordinary shares for the purpose of basic earnings per share	682,786,000	682,786,000	682,786,000	682,786,000
Effect of dilutive potential ordinary share in respect of:				
– Share Options	<u>744,885</u>	<u>N/A</u>	<u>2,036,634</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose	<u>683,530,885</u>	<u>682,786,000</u>	<u>684,822,634</u>	<u>682,786,000</u>

No diluted earnings per share has been presented for the corresponding nine-month period and quarterly period in 2005, 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 <i>US\$'000</i>	Surplus account <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Goodwill reserve <i>US\$'000</i>	Capital reserve <i>US\$'000</i>	Investments revaluation reserve <i>US\$'000</i>	Accum- ulated profits <i>US\$'000</i>	Total <i>US\$'000</i>
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>
Balance at 1 July 2005	22,215	2,954	817	(1,436)	67	(778)	17,060	40,899
Exchange differences on translation of overseas operations	-	-	337	-	-	-	-	337
Revaluation decrease	-	-	-	-	-	(263)	-	(263)
Profit for the period	-	-	-	-	-	-	2,280	2,280
Balance at 31 March 2006	<u>22,215</u>	<u>2,954</u>	<u>1,154</u>	<u>(1,436)</u>	<u>67</u>	<u>(1,041)</u>	<u>19,340</u>	<u>43,253</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 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2006, 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 (<i>note</i>)	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 2006. 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 2006, 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 2006, 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	28.1.2002 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	28.1.2002 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 2006, 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
Alliance Express Group Limited	Beneficial owner (Note 1)	131,000,000	19.19%
Concept Express Investment Limited	Beneficial owner (Note 2)	122,760,000	17.98%
Mr. Chiu Kwong Chi	Beneficial owner (Note 2)	122,760,000	17.98%

Notes:

1. The shares are beneficially owned by and registered in the name of Alliance Express Group Limited. The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.
2. These shares are beneficially owned by and registered in the name of Concept Express Investment Limited. The entire issued share capital is beneficially owned as to 47.82 per cent. by the estate of Mr. Chiu Kwong Chi (who passed away on 25 June 2005) and as to 26.09 per cent. by each of Mr. Chiu Hang Tung and Ms. Chiu Man Wah. Mr. Chiu Kwong Chi is the father of Mr. Chiu Hang Tung, Ms Chiu Man Wah, Mr. Chiu Hang Chin, Samson and Mr. Chiu Hang Tai.

Saved as disclosed above, the directors are not aware of any person who, as at 31 March 2006, 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.

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. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

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 announcement 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, 10 May 2006

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.



play hard

PINE 

PINE TECHNOLOGY HOLDINGS LIMITED 松景科技控股有限公司
(STOCK CODE 股份代號 : 8013)

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