


DEFINING THE FACE OF

GAZTUNE

PINE 



2007 1ST QUARTERLY REPORT
Stock Code : 08013



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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 THREE-MONTH PERIOD

- Revenue reported at approximately US\$92,428,000 for the three-month period ended 30 September 2006.
- Net profit attained at approximately US\$514,000 for the three-month period ended 30 September 2006.

FIRST QUARTERLY RESULTS

The board of the directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months (the “Three-Month Period”) ended 30 September 2006 together with the comparative unaudited figures for the corresponding three-month period in 2005 as follows:

		Three months ended	
		30 September	
		2006	2005
	Notes	US\$'000	US\$'000
Turnover	2	92,428	76,212
Cost of sales		(84,070)	(69,769)
Gross profit		8,358	6,443
Other operating income		186	79
Profit from operation		1,592	962
Finance costs		(1,015)	(506)
Profit before taxation		577	456
Taxation	3	(63)	(67)
Profit for the period		514	389
Attributable to:			
Equity holders of the parent		514	409
Minority interests		0	(20)
		514	389
Earnings per share (US cents)	4		
– Basic		0.075	0.060
– Diluted		0.075	N/A

Notes:

1. Basis of presentation

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of GEM Listing Rules. They have also been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The principal accounting policies used in the unaudited consolidated results are consistent with those used in the Group's annual financial statements for the year ended 30 June 2006.

2. Turnover

An analysis of the Group's turnover by type of products sold for the Three-Month Period is as follows:

	Three months ended	
	30 September	
	2006	2005
	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names	60,746	45,584
Distribution of other manufacturers' products	31,682	30,628
	<u>92,428</u>	<u>76,212</u>

3. Taxation

	Three months ended	
	30 September	
	2006	2005
	US\$'000	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	–	–
– Taxation arising in other jurisdictions	63	67
	<u>63</u>	<u>67</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 2005, and diluted earnings per share for the Three-Month Period, are based on the following data:

	Three months ended	
	30 September	
	2006	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>514</u>	<u>409</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	682,786	682,786
Effect of dilutive potential ordinary shares:		
– Share Options	<u>1,833</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>684,619</u>	<u>682,786</u>

No diluted earnings per share has presented for the corresponding three-month period in 2005 as the exercise prices of the Company's share options were higher than the average market price of the shares in the period.

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	Share option reserve US\$'000	Accum- ulated profits US\$'000	Total US\$'000
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	-	-	482	-	-	-	-	-	482
Revaluation decrease	-	-	-	-	-	(289)	-	-	(289)
Profit for the period	-	-	-	-	-	-	-	409	409
Balance at 30 September 2005	<u>22,215</u>	<u>2,954</u>	<u>1,299</u>	<u>(1,436)</u>	<u>67</u>	<u>(1,067)</u>	<u>-</u>	<u>17,469</u>	<u>41,501</u>
Balance at 1 July 2006	22,215	2,954	1,473	-	67	-	1	19,230	45,940
Exchange differences on translation of overseas operations	-	-	20	-	-	-	-	-	20
Revaluation increase	-	-	-	-	-	113	-	-	113
Recognition of share- based payment	-	-	-	-	-	-	7	-	7
Profit for the period	-	-	-	-	-	-	-	514	514
Balance at 30 September 2006	<u>22,215</u>	<u>2,954</u>	<u>1,493</u>	<u>-</u>	<u>67</u>	<u>113</u>	<u>8</u>	<u>19,744</u>	<u>46,594</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 2005.

BUSINESS REVIEW

We started the new fiscal year 2007 in a solid way. Our team has delivered an increase of 25.7% of net profit after tax to US\$514,000 in this Three-Month Period against that of US\$409,000 of the corresponding three-month period in fiscal 2006.

Revenue for the Three-Month Period totaled US\$92,428,000, a solid growth of 21.3% over the US\$76,212,000 in the prior year period. Gross profit margin has improved to 9.0% in this Three-Month Period from the 8.5% of the same period in 2006, and an encouraging improvement against the gross margin of 8.6% in the whole financial year of 2006.

We witness a continuous solid growth momentum in our own branded XFX division, with Revenue of the reported period running to US\$60,746,000, representing a respected growth of 33.3% against our first quarter in fiscal 2006 and 87.6% against our first quarter in fiscal 2005.

Overall, we are very pleased with this quarter's performance and we are encouraged and excited with how promising our fiscal year of 2007 was started.

PROSPECTS

Looking into 2007, 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 name of choice today when it comes to video graphic card of robust performance, professional supports and services, and the soul of Gaming.

Our growth trend plus our sharpened competitive position make us to believe the Company will continue on track of steady growth of revenue and profitability.

In closing, 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.

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

As at 30 September 2006, 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 5.46 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 the 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, a subsidiary of the Company as at 30 September 2006. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK\$1,000 million, as specified in the Articles of Association of the subsidiary, 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 2006, 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	28.1.2002 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 30 September 2006, 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	Percentage of the issued share capital of the Company
Alliance Express Group Limited	Beneficial owner (Note 1)	131,000,000	19.19%
Concept Express Investments Limited	Beneficial owner (Note 2)	122,760,000	17.98%
The estate of Mr. Chiu Kwong Chi	Held by controlled corporations (Note 2)	122,760,000	17.98%

Notes:

1. These 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 Investments 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 30 September 2006, 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

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 audit committee comprised the three independent non-executive directors, namely Messrs. Li Chi Chung, So Hon Cheung, Stephen and Xu Jian Hua with terms of reference in compliance with the GEM Listing Rules. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

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
PINE Technology Holdings Limited
Chiu Hang Tai
Chairman

Hong Kong, 9 November 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.

To define future opportunities.



PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

2007 1st Quarterly Report
2007 第一季度業績報告

