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2007 3<sup>rd</sup> QUARTERLY REPORT  
Stock Code : 08013



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

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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 GEM (the "GEM Listing Rules") 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\$97,946,000 for the Quarterly Period.
- Net profit attained at approximately US\$1,297,000 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 2007.

### Condensed 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 2006 are as follows:

	Notes	Unaudited			
		Nine months ended		Three months ended	
		2007	2006	2007	2006
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	<b>305,303</b>	269,248	<b>97,946</b>	94,940
Cost of sales		<b>(277,120)</b>	(244,682)	<b>(87,468)</b>	(85,077)
Gross profit		<b>28,183</b>	24,566	<b>10,478</b>	9,863
Other income		<b>239</b>	769	<b>16</b>	422
Selling and distribution expenses		<b>(4,994)</b>	(5,796)	<b>(1,571)</b>	(2,165)
General and administrative expenses		<b>(16,748)</b>	(14,585)	<b>(6,208)</b>	(5,657)
Share of results of an associate		<b>-</b>	(117)	<b>-</b>	(168)
Finance costs		<b>(3,368)</b>	(2,210)	<b>(1,228)</b>	(951)
Profit before taxation		<b>3,312</b>	2,627	<b>1,487</b>	1,344
Taxation	3	<b>(461)</b>	(532)	<b>(190)</b>	(324)
Profit for the period		<b><u>2,851</u></b>	<u>2,095</u>	<b><u>1,297</u></b>	<u>1,020</u>
Attributable to:					
Equity holders of the parent		<b>2,851</b>	2,280	<b>1,297</b>	1,021
Minority interests		<b>-</b>	(185)	<b>-</b>	(1)
		<b><u>2,851</u></b>	<u>2,095</u>	<b><u>1,297</u></b>	<u>1,020</u>
Earnings per share	4				
Basic (US cents)		<b><u>0.418</u></b>	<u>0.334</u>	<b><u>0.190</u></b>	<u>0.150</u>
Diluted (US cents)		<b><u>0.416</u></b>	<u>0.334</u>	<b><u>0.189</u></b>	<u>0.149</u>

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

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006, 1 March 2006, 1 May 2006 or 1 June 2006. The adoption of new HKFRSs had no material effect on the Group's financial statements.

## 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	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names	208,855	165,962	66,281	66,910
Distribution of other manufacturer's products	96,448	103,286	31,665	28,030
	<b>305,303</b>	<b>269,248</b>	<b>97,946</b>	<b>94,940</b>

### 3. Taxation

Nine months ended 31 March		Three months ended 31 March	
2007	2006	2007	2006
US\$'000	US\$'000	US\$'000	US\$'000

The (charge)/credit comprises:

– Hong Kong Profits Tax	–	–	37	–
– Taxation arising in other jurisdictions	(461)	(532)	(227)	(324)
	<u>(461)</u>	<u>(532)</u>	<u>(190)</u>	<u>(324)</u>

No provision for the Hong Kong Profits Tax has been made 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 and diluted earnings per share for the Nine-Month Period, the Quarterly Period, the corresponding nine-month period and quarterly period in 2006 are based on the following data:

Nine months ended 31 March		Three months ended 31 March	
2007	2006	2007	2006
US\$'000	US\$'000	US\$'000	US\$'000

Earnings for the purpose of:

basic and diluted earnings per share	<u>2,851</u>	<u>2,280</u>	<u>1,297</u>	<u>1,021</u>
	'000	'000	'000	'000

Weighted average number of  
ordinary shares for the purpose  
of basic earnings per share

	<u>682,786</u>	<u>682,786</u>	<u>682,786</u>	<u>682,786</u>
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Effect of dilutive potential  
ordinary shares in respect of:

– Share options	<u>2,457</u>	<u>745</u>	<u>2,929</u>	<u>2,037</u>
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Weighted average number of  
ordinary shares for the purpose  
of diluted earnings per share

	<u>685,243</u>	<u>683,531</u>	<u>685,715</u>	<u>684,823</u>
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**5. Share premium and reserves**

	Share premium account US\$'000	Surplus account US\$'000	Exchange 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	67	(778)	-	15,624	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>67</u>	<u>(1,041)</u>	<u>-</u>	<u>17,904</u>	<u>43,253</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	-	-	110	-	-	-	-	110
Revaluation increase	-	-	-	-	326	-	-	326
Recognition of equity-settled share-based payment	-	-	-	-	-	14	-	14
Profit for the period	-	-	-	-	-	-	2,851	2,851
Balance at 31 March 2007	<u>22,215</u>	<u>2,954</u>	<u>1,583</u>	<u>67</u>	<u>326</u>	<u>15</u>	<u>22,081</u>	<u>49,241</u>

## **INTERIM DIVIDEND**

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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 2006.

## **BUSINESS REVIEW**

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We achieve a growth of 27% on net profit after tax in this reporting quarter. Our net profit after tax has increased to US\$1,297,000 from US\$1,021,000 of same period 2006.

Revenue for the Quarterly Period totaled US\$97,946,000, a slight growth of 3.2% compared to US\$94,940,000 in the prior year period. Gross profit margin climbed up to 10.7% this quarter from the 10.4% of same period of 2006.

Taking the view of the full Nine-Month Period, our team delivered a net profit of US\$2,851,000 from revenue of US\$305,303,000, compared to US\$2,280,000 and US\$269,248,000 respectively of the corresponding nine-month period last year.

This 25% growth of net profit generated from the 13% 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 remained steady at US\$66,281,000 compared with the US\$66,910,000 of the same period last year.

Overall, we are pleased with this quarter's performance and this is very much in line with our corporate focus this year towards efficiency and profitability while keeping a steady growth on market share.

## BUSINESS OVERLOOK

Looking beyond 2007, we are confident with the business outlook ahead of us. We believe that our business momentum will continue to grow, and XFX will continue to be the choice of preference when it comes to video graphic card of robust performance, professional supports and services, and a product that come with a soul of Gaming.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our business partners 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' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2007, 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 Samson Hang Chin	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, each beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited (“PIL”), a subsidiary of the Company as at 31 March 2007. 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, 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 5.46 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 16 April 2003 (the “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 2007, the following Directors were granted share options to subscribe for shares in the Company, details of share options granted under the Scheme 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</b> <b>per share</b> <i>HK\$</i>	<b>Number of</b> <b>options granted</b>
Chiu Hang Tai	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
Chiu Samson Hang Chin	28.9.2004 30.03.2007	1.11.2004 to 31.10.2009 1.1.2009 to 31.12.2011	0.149 0.248	4,000,000 2,700,000

**SUBSTANTIAL SHAREHOLDERS**

So far as the Directors and chief executive of the Company are aware of, as at 31 March 2007, the following persons (not being a Director or a chief executive of the Company) were interested in 5% or more of in the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
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 corporation (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 of Concept Express Investments Limited 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 Samson Hang Chin and Mr. Chiu Hang Tai.

Saved as disclosed above, the Directors are not aware of any person who, as at 31 March 2007, 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.

## **AUDIT COMMITTEE**

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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 Stephen Hon Cheung and Xu Jian Hua. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

## **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  
**PINE Technology Holdings Limited**  
**Chiu Hang Tai**  
*Chairman*

Hong Kong, 9 May 2007

As at the date of this report, executive Directors are Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin, and independent non-executive Directors are Mr. Li Chi Chung, Mr. So Stephen Hon Cheung 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 3rd Quarterly Report**  
2007 第三季度業績報告