



 play hard.

 **XFX**  
play hard.



Touching

 play h

**PINE** 

the Lives of Gamers Around the World

**PINE TECHNOLOGY HOLDINGS LIMITED**

**2008 1st QUARTERLY REPORT**

Stock Code: 8013

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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\$125,683,000 for the three-month period ended 30 September 2007.
- Net profit attained at approximately US\$736,000 for the three-month period ended 30 September 2007.

## 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 2007 together with the comparative unaudited figures for the corresponding three-month period in 2006 as follows :

		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2007</b>	2006
	Notes	<b>US\$'000</b>	US\$'000
Turnover	2	<b>125,683</b>	92,428
Cost of sales		<b>(114,550)</b>	(84,070)
Gross profit		<b>11,133</b>	8,358
Other income		<b>368</b>	186
Selling and distribution expenses		<b>(2,649)</b>	(1,492)
General and administrative expenses		<b>(6,719)</b>	(5,460)
Finance costs		<b>(1,162)</b>	(1,015)
Profit before taxation		<b>971</b>	577
Taxation	3	<b>(235)</b>	(63)
Profit for the period		<b>736</b>	514
Earnings per share (US cents)	4		
– Basic		<b>0.108</b>	0.075
– Diluted		<b>0.106</b>	0.075

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 2007.

### 2. Turnover

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

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>US\$'000</b>	US\$'000
Manufacture and sale of products under the Group's brand names	<b>88,443</b>	60,746
Distribution of other manufacturers' products	<b>37,240</b>	31,682
	<u><b>125,683</b></u>	<u>92,428</u>

### 3. Taxation

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>US\$'000</b>	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	–	–
– Taxation arising in other jurisdictions	<b>235</b>	63
	<u><b>235</b></u>	<u>63</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 2006, and diluted earnings per share for the Three-Month Period and the corresponding three-month period in 2006, are based on the following data:

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>US\$'000</b>	US\$'000
Earnings for the purposes of basic and diluted earnings per share	<u><b>736</b></u>	<u>514</u>
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>682,786</b>	682,786
Effect of dilutive potential ordinary shares:		
– Share Options	<u>13,601</u>	<u>1,833</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><b>696,387</b></u>	<u>684,619</u>

**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 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>67</u>	<u>113</u>	<u>8</u>	<u>19,744</u>	<u>46,594</u>
Balance at 1 July 2007	<b>22,215</b>	<b>2,954</b>	<b>1,621</b>	<b>63</b>	<b>1,898</b>	<b>55</b>	<b>23,808</b>	<b>52,614</b>
Exchange differences on translation of overseas operations	-	-	354	-	-	-	-	354
Deficit on revaluation on available-for-sale investments	-	-	-	-	(925)	-	-	(925)
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	(167)	-	-	(167)
Recognition of share-based payment	-	-	-	-	-	38	-	38
Profit for the period	-	-	-	-	-	-	736	736
Balance at 30 September 2007	<u>22,215</u>	<u>2,954</u>	<u>1,975</u>	<u>63</u>	<u>806</u>	<u>93</u>	<u>24,544</u>	<u>52,650</u>

## **INTERIM DIVIDEND**

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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 2006.

## **CHAIRMAN'S STATEMENT**

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PINE has a promising start of the fiscal year 2008. Our team has delivered an increase of 43% of net profit after tax to US\$736,000 in this Three-Month Period against that of US\$514,000 of the corresponding three-month period in fiscal 2007.

Revenue for the Three-Month Period totaled US\$125,683,000, an exciting growth of 36% over the US\$92,428,000 in the prior year period. We witness a solid growth momentum in both our own branded XFX division and the Distribution division, with revenue of the reported period running to US\$88,443,000 and US\$37,240,000 respectively, representing a respected growth of 46% and 18%.

Gross profit margin has slightly dropped to 8.9% in this Three-Month Period from the 9.0% of the same period in fiscal 2007.

It was an excellent quarter, witnessing a continuous growth of all major markets in America, Europe and Asia, attributed by the broad product line-up and strong brand position of XFX that we have nurtured throughout the past few years. The continuous growth in the net profit and revenue manifests that we are on track to achieve another harvest of summer grain this year.

## **BUSINESS REVIEW**

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In the first quarter of 2008, we debuted the Ferrari of our graphics card lineup – XFX GeForce® 8800 GTS FatalIty model. Thanks to our R&D team, with their non-stop endeavors to pushing the limits of existing product designs and performance, this latest GeForce 8800 GTS FatalIty model allows gamers to maximize their gaming experience with a clock speed well ahead of our first generation GeForce 8800 GTS, running at 30% better performance. We anticipate high demand for this model which is tailor designed for the hardcore gamers who will like this card's ultra speed as the Ferrari's enthusiasts like the Ferrari's.

Over the years, the gaming community has expanded so fast and so diverse, it is now being segmented into the HARD-CORE ENTHUSIAST and the MAINSTREAM. Our ENTHUSIAST-focused XXX and Fatal Ity series persistently attract the hardcore gamers' attention by the cutting-edge graphics acceleration and the very latest graphic technology. As Mr. Allan "Zardon" Campbell, editorial director of Driver Heaven in UK commented, "If I was buying a new video card, I would immediately recommend an XFX board, they are my favourite graphics card manufacturer and their XXX series really are second to none. I have been using a XFX 8800 GTX video card in my own home gaming system for some time and I am currently loving the incredible gaming experience with DirectX 10 Lost Planet in my 52 inch 1080p Sharp TV." With great brand and great products, XFX continues to win the hearts of hardcore gamers by delivering realistic and immersive gaming experience to them. We have successfully built the brand of preference among the professional gamers.

In addition to the hardcore gamers, we understand the growing importance of the casual gamers in the MAINSTREAM segments. Casual gamers are especially sensible buyers and they tend to rely more on reviews and awards gained by the products in their buying decision making process. XFX, the best graphic card award-winning record keeper, is ranking at the top of their preference list in Middle East. Our XFX GeForce 8800 Ultra XXX Edition, tailor-made for the ENTHUSIAST segment, obtained the Best Graphics Card award in the Middle East for the year of 2007 from Windows Magazine, Dubai U.A.E. This is the fourth consecutive year that we have won the Best Graphics Card from Windows Magazine. More than that, our GeForce 8600 GT Fatal Ity received awards worldwide such as Best Buy 2007 Award from PC World, India and Elite Bastards Performance Award from Elite Bastards, UK. Besides, this model received 2 awards from Overclock3D, and Guru3D recommended XFX GeForce 8600 GT with its Editor's Choice award. Hardware Arena, the IT-pro website, commented on our performance product line, saying that "After the high-end achievement, it is in the midrange class where XFX has been crowned world champion with its extreme cooled GeForce 8600 GTS. Not just one score but in every single 3Dmark class!" We will keep on our innovation and design creativity to ensure the continuation of the XFX leadership position and to extend it to the whole spectrum of gamers in the world.

## **BUSINESS OUTLOOK**

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Looking into 2008, we have every reason to be confident that our growth and profitability momentum will continue. Desktop PC shipment forecast continues to be strong. IDC predicts that the total worldwide growth in the PC market is expected to be at least 10.5% through 2008. At the same time, an increasing number of DirectX 10 games will be launched to the market to meet the Christmas buying season. This plus the growing adaptation of Windows Vista are the major growing factors to the graphic card market, as both DirectX 10 and Window Vista require intensive 3D graphic processing speed and video playback performance.



In our ongoing pursuit for wider and deeper penetration to the major geographic markets for the long term growth of the Company, in 2007 we have invested USD800,000 into a fully automated production line located in Manaus, Brazil. The Brazil government has picked this Amazon city as the site for a free-trade industrial zone in the late '60s. This new production line of PINE will commence production around late November 2007. We are very excited about this opportunity as this enables us to start to tap into the highly regulated PC segment supplying to the Brazilian government and education sectors, which restricted the purchasing their PC systems to only those using the locally-built components. At the same time, this local built position allows us to start the XFX local marketing programs in Brazil, which is the largest PC market in Latin America, and our own local customers support centres in Brazil. We believe with this, it sows the seeds for our future growth in this strategically important market in both our market position and also our brand position, for the medium and long term prospects of PINE.

All in all, we will continue to focus on providing innovative and creative products and services to meet and beyond the expectations of our customers, and the end users. We will continue to build and to leverage the XFX brand and its passion to the hardcore gamers and extend this to the MAINSTREAM users, in our pursuit for the sustainable growth. In closing, I would like to thank the whole TEAM who contributed to this successful quarter through their hard work, continuing commitment, and the passion they show to their works and to the Company.

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

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As at 30 September 2007, 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**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
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 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 2007. 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 held by directors in trust for the Company's subsidiaries as at 30 September 2007, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## B) Share Options

Pursuant to the share option schemes 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 30 September 2007, the following directors of the Company were granted share options to subscribe for shares in the Company, details of share options granted under the 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	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
Chiu Samson Hang Chin	28.9.2004 30.3.2007	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 30 September 2007, 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 (long positions)	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. Alliance Express Group Limited is incorporated in the British Virgin Islands ("BVI") and its entire issued share capital 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. Concept Express Investments Limited is incorporated in the BVI and its entire issued share capital is beneficially owned as to 47.82 per cent. by the estate of Mr. Chiu Kwong Chi 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 30 September 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.

## **COMPETING INTERESTS**

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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**

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The audit committee comprised the three independent non-executive directors, namely Messrs. Li Chi Chung, So Stephen Hon Cheung 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**

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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 2007

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