

CHAMPIONSHIP GAMING SERIES

GRAND FINAL

PINE
PINE TECHNOLOGY HOLDINGS LIMITED
2008 3rd Quarterly Report
2008 第三季度業績報告
Stock Code: 8013



Touching

the Lives of Gamers Around the World

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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.

RESULT HIGHLIGHTS

For the nine months ended 31 March 2008:

- Revenue reported at approximately US\$412,830,000.
- Net profit attained at approximately US\$4,488,000.

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 2008.

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 2007 are as follows:

	Notes	Unaudited			
		Nine months ended		Three months ended	
		31 March		31 March	
		2008	2007	2008	2007
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	412,830	305,303	142,391	97,946
Cost of sales		(377,614)	(277,120)	(130,438)	(87,468)
Gross profit		35,216	28,183	11,953	10,478
Other income		1,795	239	286	16
Selling and distribution expenses		(8,389)	(4,994)	(2,240)	(1,571)
General and administrative expenses		(19,821)	(16,748)	(6,348)	(6,208)
Finance costs		(3,125)	(3,368)	(855)	(1,228)
Profit before taxation		5,676	3,312	2,796	1,487
Taxation	3	(1,188)	(461)	(606)	(190)
Profit for the period		<u>4,488</u>	<u>2,851</u>	<u>2,190</u>	<u>1,297</u>
Earnings per share	4				
– Basic (US cents)		<u>0.657</u>	<u>0.418</u>	<u>0.321</u>	<u>0.190</u>
– Diluted (US cents)		<u>0.645</u>	<u>0.416</u>	<u>0.315</u>	<u>0.189</u>

Notes:

I. 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 accounting policies and method of computation used in the preparation of financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2007, except as described below.

During the Nine-Month Period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning on 1 July 2007.

HKAS 1 (Amendment)

HKFRS 7

HK(IFRIC) – Int 10

HK(IFRIC) – Int 11

Capital Disclosures

Financial Instruments: Disclosures

Interim Financial Reporting and Impairment

HKFRS 2 – Group and Treasury Share Transactions

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

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	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacture and sale of products under the Group's brand names	283,568	208,855	100,394	66,281
Distribution of other manufacturer's products	129,262	96,448	41,997	31,665
	<u>412,830</u>	<u>305,303</u>	<u>142,391</u>	<u>97,946</u>

3. Taxation

	Nine months ended		Three months ended	
	31 March		31 March	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
The (charge) / credit comprises:				
– Hong Kong Profits Tax	(6)	–	(2)	37
– Taxation arising in other jurisdictions	(1,182)	(461)	(604)	(227)
	<u>(1,188)</u>	<u>(461)</u>	<u>(606)</u>	<u>(190)</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the Nine-Month Period and Quarterly 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 2007 are based on the following data:

	Nine months ended 31 March		Three months ended 31 March	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Earnings for the purpose of:				
basic and diluted earnings per share	<u>4,488</u>	<u>2,851</u>	<u>2,190</u>	<u>1,297</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	682,786	682,786	682,786	682,786
Effect of dilutive potential ordinary shares in respect of:				
– Share options	<u>13,555</u>	<u>2,457</u>	<u>12,136</u>	<u>2,929</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>696,341</u>	<u>685,243</u>	<u>694,922</u>	<u>685,715</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
At 1 July 2006	22,215	2,954	1,473	67	-	1	19,230	45,940
Exchange differences arising on translation of overseas operations	-	-	110	-	-	-	-	110
Surplus on revaluation on available-for-sale investments	-	-	-	-	326	-	-	326
Net income and expense recognized directly in equity	-	-	110	-	326	-	-	436
Profit for the period	-	-	-	-	-	-	2,851	2,851
Total recognized income and expense for the period	-	-	110	-	326	-	2,851	3,287
Recognition of equity-settled share-based payment	-	-	-	-	-	14	-	14
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>
At 1 July 2007	22,215	2,954	1,621	63	1,898	55	23,808	52,614
Exchange differences arising on translation of overseas operations	-	-	880	-	-	-	-	880
Deficit on revaluation on available-for-sale investments	-	-	-	-	(447)	-	-	(447)
Net income and expense recognized directly in equity	-	-	880	-	(447)	-	-	433
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	(988)	-	-	(988)
Profit for the period	-	-	-	-	-	-	4,488	4,488
Total recognized income and expense for the period	-	-	880	-	(1,435)	-	4,488	3,933
Recognition of equity-settled share-based payment	-	-	-	-	-	264	-	264
At 31 March 2008	<u>22,215</u>	<u>2,954</u>	<u>2,501</u>	<u>63</u>	<u>463</u>	<u>319</u>	<u>28,296</u>	<u>56,811</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 2007.

CHAIRMAN'S STATEMENT

We achieve a remarkable growth of 69% on net profit after tax in this reporting quarter. Our net profit after tax has increased to US\$2,190,000 from US\$1,297,000 of same period 2007.

Although Pine's overall gross margin has dropped from 10.7% to 8.4% in this quarterly period, it was more than offset by the dramatic increase by 45% in revenue of this reporting quarter to US\$142,391,000 from US\$97,946,000 of the same period last year. Our own brand XFX and the distribution division both boasted strong growth bringing in revenue amounting to US\$100,394,000 and US\$41,997,000 respectively, representing a respected year-to-year growth of 51% and 33%.

Throughout the Nine-month Period, the Group had performed outstandingly with net profit increasing by 57% to US\$4,488,000 from US\$2,851,000, whereas revenue was up by 35% to US\$412,830,000 from US\$305,303,000 in the first three quarters of last year.

BUSINESS REVIEW

After the great success of the 8-series graphic card line in 2007, XFX introduced and launched the highly anticipated 9-series in the first calendar quarter of 2008. The XFX GeForce 9600GT, as the first born in this highly anticipated 9-series, was launched to market on 21 February 2008. With 505 million GPU transistors incorporated in this chip, the XFX GeForce 9600 GT pushes the gaming experience to new heights with up to 90 percent greater performance than any GeForce card in its class and delivering a score of 10004 for 3D Mark2006 in resolution of 1600x1200 on Windows XP platform. Our XFX brand continues to stand out by the gaming-world renowned XXX overlocked edition of this model with the overclock of 740Mhz core clock on the GPU and 1000Mhz on the GDDR3 memory clock compared to the competitors' 650Mhz and 900Mhz respectively.

The effort and creativity put forth by our R&D team behind the design was well recognized by the reviewers worldwide. XFX GeForce 9600 GT won the “PCM Recommended Award” in Hong Kong and “UPC Must Have Award” from Unlimitpc.com in Thailand, while the XFX 9600 GT Alpha Dog edition was awarded with the “Recommended and Value for Money Award” from Overclock3D.net in UK, followed by the “Best in Class Gold Award” in the Mid-range Graphics Card Round-up conducted by Driver Heaven in UK.

On the Distribution Business front, we are encouraged to see the better mix in product line up, from a wide variety of Consumer Electronics to the high capacity storage device, to the Blu-Ray Optical Drive, plus the continuing growth of business with our long-time business partners like Wal-mart and Future Shop in Canada are contributing to the strong growth of revenue to US\$129,262,000 in the past three quarters compared to the US\$96,448,000 of the same period last year.

Overall, we are very pleased with this quarter’s performance and we are encouraged and excited by the efforts and achievement of our team in sustaining the growth in both the revenue and profitability.

On 3 April 2008, the Company announced that it proposed to raise approximately HK\$88.8 million, before expenses, by an open offer of a total of 341,393,000 offer shares at a subscription price of HK\$0.26 per offer share on the basis of one offer share for every two existing shares held on the record date. The net proceeds of the open offer will be used for reduction of the indebtedness of the Group and for general working capital purpose. The open offer is now in progress and an announcement of the results of the open offer will be made on 21 May 2008.

BUSINESS OUTLOOK

Looking into the rest of 2008, our management team will continue to exercise caution and discipline in executing of our business strategies with anticipation of the potential market volatility and the potential depression of demand from both the corporate and consumer sectors.

At the same time, we continue to hold an optimistic view of the graphic card industry with witness of the growing requirement of more powerful graphic card attributed by the intense video-graphic processing requirement expanding beyond the gaming arena with users requiring premium 3D user experience with Window Vista and Windows Media Center. At the same time, as the powerful graphic cards are able to allow users to work on intensive tasks such as sharing, editing and managing photos and videos, and also ensuring superb picture quality and ultra-smooth movies playback with 100% offload of H.264 video decoding from the CPU. All these are becoming more and more a basic requirement and therefore keep pushing up the required performance of graphic card especially in face of the expanding highest resolution of the latest flat-panel display. All these are giving a positive note to the medium term growth of the graphic card industry.

In closing, I would like to thank the whole team who continue to contribute to another successful quarter through their hard work and passion towards the company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2008, the interests of the directors and the chief executive of the Company and their respective associates in the shares 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 (<i>Note</i>)	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 ("Alliance Express"). Mr. Chiu Hang Tai beneficially owns the entire issued share capital of Alliance Express.

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, a subsidiary of the Company as at 31 March 2008. 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 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 31 March 2008, 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 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 2008, 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:

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
	05.10.2007	05.10.2009 to 04.10.2012	0.460	<u>3,000,000</u>
				<u><u>7,000,000</u></u>
Chiu Samson Hang Chin	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
	30.03.2007	1.1.2009 to 31.12.2011	0.248	2,700,000
	05.10.2007	05.10.2009 to 04.10.2012	0.460	<u>2,000,000</u>
				<u><u>8,700,000</u></u>

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 March 2008, 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:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Alliance Express	Beneficial owner (Note 1)	131,000,000	19.19%
Concept Express Investments Limited ("Concept Express")	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. Alliance Express 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. Concept Express 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 31 March 2008, 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 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

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, 6 May 2008

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.



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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)

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