PINE
TECHNOLOGY HOLDINGS LIMITED 松景科技控股有限公司

2002 Annual Report 年報

CONTENTS

- Due to the continuing worldwide economic downturn in the IT industry, in the financial year ended 30 June 2002, PINE reported a total revenue amounted US$238 million and after tax net profit at US$403,000. Though far from satisfactory, it was an encouraging result of our prompt strategic reaction and swift execution of the team to the changing market situation and strong downward pressure.

- Mass Merchant - This year Canada we had already enjoyed a good start and we are expecting strong growth of business from this segment to contribute in excess of 15% of our turnover in Canada.

- The US$2.65 million acquisition of the Taiwan motherboard manufacturer, Pro Team Computer Corporation, brought synergy to the PINE group. Pro-Team's world-class research and development expertise strengthened PINE's motherboard business. It attributed also to the better allocation of resources through maximizing the use of existing manufacturing capacity. Through Pro-Team's long established product development capabilities, the acquisition is believed to contribute substantially to the Group's future revenue growth.

- We are going to launch the GeForce 4 advanced gaming series in the 4th quarter of 2002. This together with the emergence of the 8X AGP graphic accelerating technology and a gradual shift of graphic and multimedia applications to this new technology, are expected to contribute to the turnover of the graphics line by a double digit growth in the new fiscal year. Resting on such solid position and established brand acceptance, it is believed that this new segment will provide the key growth momentum on the PC Division in the coming future. As to the MP3 line, we will be consolidating and concentrating in the development of MP3 CD line targeting at the Greater China market as the demand for MP3 CD is undergoing a significant expansion in this huge market.

- On the operation model, we steadily reduced operating expenses throughout the year. During the period under review, we moved and centralized operations to Toronto, Canada for North America, Netherlands for Europe, China for Hong Kong. We also critically reviewed staffing, trimming wherever necessary to ensure a lean and fully productive organization. As a result, we saved US$4 million in overheads reduction, which was over 30% more than our original target.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Hang Tai	*Chairman*
Mr. Ong Se Mon	*CEO & Vice Chairman*
Mr. Chiu Hang Chin, Samson	*Vice Chairman*
Ms. Ng Yuk Chun	

Independent Non-Executive Directors

Mr. Li Chi Chung
Mr. Lo Wai Hung (Resigned on 13 September 2002)
Mr. So Hon Cheung, Stephen
(Appointed on 13 September 2002)

Compliance Officer

Ms. Ng Yuk Chun, CPA (Aust.), AHKSA

Company Secretary

Mr. Leung Yiu Ming, CPA (Aust.), AHKSA

Authorised Representative

Ms. Ng Yuk Chun
Mr. Leung Yiu Ming

Qualified Accountant

Mr. Leung Yiu Ming

Audit Committee

Mr. Li Chi Chung
Mr. Lo Wai Hung (Resigned on 13 September 2002)
Mr. So Hon Cheung, Stephen
(Appointed on 13 September 2002)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 1013, 10th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal Bankers

Bank of America (Asia) Limited
BNP Paribas (Canada)
DBS Kwong On Bank
Dao Heng Bank
Fortis Bank
HSBC HK
Manufacturers Bank
Nanyang Commercial Bank Limited
Standard Chartered Bank
UFJ Bank Limited
United Overseas Bank Group

Principal Share Register and Transfer Office

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HMII
Bermuda

Hong Kong Branch Share Register and Transfer Office

Secretaries Limited
5/F Wing On Centre
111 Connaught Road Central
Hong Kong

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Sponsor

Core Pacific-Yamaichi Capital Limited

Legal Advisers
As to Bermuda Law:
Conyers Dill & Pearman

As to Hong Kong Law:
Fairbairn Catley Low & Kong

Stock Quote
8013

Website of the company
www.pinegroup.com

CORPORATE PROFILE

Since the inception in 1989, PINE Technology Holdings Limited ("PINE" or the "Company") and its subsidiaries (collectively, the "Group") have worked hard to become the leading force in the IT industry. Our innovative ideas have added new dimensions to the design, development, manufacturing and distribution of computers, communications as well as internet-related digital consumer products. Our success with creating lasting quality is reflected in the widespread popularity of our brands: "PINE", "D'music" and "RetailPlus". In November 1999, PINE was one of the very first high-tech companies to successfully list on the GEM board of the Hong Kong Stock Exchange.

The main thrust of PINE's business strategy is to constantly strengthen its research and development (R&D) capabilities to develop creative and innovative products. That's why establishing R&D centres has always been done with great care and a clear understanding of the synergies each region has to offer. We now have three R&D sites strategically located in Korea, Taiwan and China.

One of the most significant factors differentiating PINE from other firms is our truly globalized marketing network and distribution expertise. This is an enormous asset to the Group, allowing us to build solid channel capabilities and market intelligence. Throughout North America, Europe and Asia Pacific, PINE operates an extensive marketing and distribution network with world-class products and services.

As a pioneer in the field of PC product development, PINE has been recently designated as a certified vendor for NVIDIA. Moreover, we have pledged to provide customers with NVIDIA reference design add-in cards and to support the use of NVIDIA reference drivers. All of these have strengthened the competitive advantage of PINE's PC products in the marketplace.

Embracing the growing market demand for Internet Appliances, we have also strategically diversified our product portfolio. PINE is now at the forefront in the development of portable digital audio and imaging technology.

Further development on mass merchant as an extension of PINE's global marketing network is another successful factor towards better financial return. PINE will carry on building its own brand name through strengthening mass merchant sales in the North America with a broadened customer base and new accounts to secure extra source of revenue.

In the years ahead, PINE will continue to apply its strategic expertise to become a world-class Blue Chip company on the HKGEM board and explore cutting-edge innovations to create valuable new assets for the Group.

Dear Shareholders,

We have had to contend with one of the sharpest and most sudden economic downturns on record ever since 2000 when the global economic slowed down and the technology industry was severely hit. The terrible tragedies of September 11th last year increased economic uncertainty and mean that companies must find new ways to help customers, partners and co-workers to deal with a changed world.

Facing the challenges of 2001, we made steady, measurable progress against our strategy and objectives. We maintained our focus on long-term growth goals, and consistently pulled together the many capabilities and assets of the Company to pursue them.

In the financial year ended 30 June 2002, PINE achieved total revenue amounted US$238 million and after tax net profit at US$403,000. Though far from satisfactory, it was an encouraging result of our prompt strategic reaction and swift execution of the team to the changing market situation and strong downward pressure. More importantly, this was achieved together with a revitalization of our business model to prepare PINE for continuous growth.

BUSINESS REVIEW

With this volatile market situation in mind, the Board of Directors made quick priority to revitalize PINE's operating processes through a thorough "consolidation" and "optimization" exercise. PINE set simple and clear target by focusing on the growth of gross profit margin while adapting a risk-averse attitude towards revenue growth.

On the channel aspect, we screened out the low activities and low volume customers and narrowed the base to concentrate on the top partnership in Europe. In North America, we focused our development in the mass merchant segment to secure quality source of revenue.

Samtack, the distribution arm of the PINE group, signed new accounts such as Sam Club, Fred Meyer, Walmart.com in the USA, and Walmart in Canada, which brought in extra source of revenue despite the downward pressure in global economy.

The US$2.65 million acquisition of the Taiwan motherboard manufacturer, Pro Team Computer Corporation, brought synergy to the PINE group. Pro-Team's world-class research and development expertise strengthened PINE's motherboard business. It attributed also to the better allocation of resources through maximizing the use of existing manufacturing capacity. Through Pro-Team's long established product development capabilities, the acquisition is believed to contribute substantially to the Group's future revenue growth.

PINE owned 18% interest in Synerex Inc, a subsidiary of QUASAR Communication Technology Holdings Limited, which was subsequently listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited in July 2002. As a result, the Company's investment in Synerex Inc was appraised by US$1.9 million to US$4.8 million.

On the product development aspect, we carried out an overhaul and consolidation in the PC division in the product line-ups to better use valuable research and development resources to enhance operating efficiency and therefore maximizing return. Hong Kong and China would be focusing on the high growth graphics accelerator interface card and MP3, while Taiwan on the motherboard development.

Research and development continued to play an important role towards building brand name for the Group to enjoy a higher profit margin. The newly launched XFX line of graphics accelerator was most successful and encouraging in meeting the very strong demand from gaming and multimedia applications. Through creative marketing backed by a series of strong product rollouts, the XFX products were put squarely in the limelight and secured a leading position in the graphics card market. One of the reviewers said, "the XFX has jumped to the front of the line of add-in manufacturers of NVIDIA-based graphics cards. It is a testament to their commitment to reaching the top and being considered a key player in the market."

In the reporting year, we launched the latest technology of GeForce 2 and 3 Series high end graphics cards, a "26" mm thick MP3 CD player and a whole series of Mainboard based on Intel's latest Pentium 4 technology platform, all these were very well received in the market.

On the operation model, we steadily reduced operating expenses throughout the year. During the period under review, we moved and centralized operations to Toronto, Canada for North America, Netherlands for Europe, China for Hong Kong. We also critically reviewed staffing, trimming wherever necessary to ensure a lean and fully productive organization. As a result, we saved US$4 million in overhead reduction, which was over 30% more than our original target.

In short, the consolidated cost-effective model enabled PINE to ride out such slow and changing period by utilizing valuable resources wisely and effectively. More importantly, such consolidation also allowed us to focus on critical areas for not just today but also a sustainable future.

BUSINESS PROSPECTS

The information technology sector is expected to consolidate further; sound business judgment will continue to shape PINE's forward strategy as we build on our steady revenue growth and solid fundamentals. We will continue to maintain this conservative attitude with our cash in hand at around US$11.5 million.

We believe that PINE has a unique opportunity and unique capability to transform markets by being at the center of the emerging technology landscape.

CHANNEL DEVELOPMENT

Mass Merchant - This year in Canada we had already enjoyed a good start and we are expecting strong growth of business from this segment to contribute in excess of 15% of our turnover in Canada.

We are at the verge of closing the contract with the Best Buy in Canada, which is a very important and strategic partnership to us. We are also going to widen our selection of products to involve a wider range of accessories line. We expect this will contribute a double-digit profit margin to the Group.

In the USA, LG will become our significant partner in the very near future. Besides, we are assessing the potential of expanding our distribution product profile to include higher margin and growing categories like LCD projector, networking router, wireless and bluetooth devices.

GREATER CHINA POTENTIAL

In light of the expected importance of the China market with its accession into WTO, it is believed that there will be a significant growth in the China information technology market. Tapping on the rising opportunities, the Group entered into a joint venture investment in Chengdu, PRC, which is principally engaged in the manufacturing and distribution of computer-related hardware. Our target for the investment is to bring to the Group an additional source of revenue and enable the Group to enjoy longer tax holiday and better tax benefits.

PRODUCT DEVELOPMENT

We are going to launch the GeForce 4 advanced gaming series in the 4th quarter of 2002. This together with the emergence of the 8X AGP graphic accelerating technology and a gradual shift of graphic and multimedia applications to this new technology, are expected to contribute to the turnover of the graphics line by a double digit growth in the new fiscal year. Resting on such solid position and established brand acceptance, it is believed that this new segment will provide the key growth momentum on the PC Division in the coming future. As to the MP3 line, we will be consolidating and concentrating in the development of MP3 CD line targeting at the Greater China market as the demand for MP3 CD is undergoing a significant expansion in this huge market.

OPERATIONAL EFFICIENCY

We will continue to focus on operations with growth potential, particularly our internet infrastructure services. At the same time, we will continue to manage our operating and capital expenditures, and a series of cost cutting measures will be put in place to further reduce our operating expenses.

The information technology shakedown is by no means over, and we will continue to face many challenges in the near term. I am confident, however, in the long-term future of the industry. Any continuing weakness in the overall economy will inevitably force businesses to compete by operating more efficiently and cost-effectively, and this will drive fresh demands for information technology of proven quality. Therefore the long-term growth prospects for PINE remains positive.

Indeed, I believe PINE's future is particularly bright given its focus in the China market and the current healthy growth and prospects, particularly when Mainland China entered into the World Trade Organization last year.

I would like to take this opportunity to extend our gratitude to our suppliers, customers, bankers and shareholders for their continuous support. I would also like to thank my fellow directors and PINE's management for their unremitting efforts during the year. Their loyal dedication, coupled with strong experience, has done much to lay the firm groundwork for our future.

Chiu Hang Tai
Chairman

Hong Kong, 20 September 2002

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF GROUP ASSET

As at 30 June 2002, the group's borrowings comprised mainly short-term loans of approximately US$30,015,000 (30 June 2001: approximately US$24,384,000) and long-term loans of US$8,374,000 (30 June 2001: Nil). The aggregate borrowings were approximately US$38,389,000 (30 June 2001: approximately US$24,384,000) of which approximately US$35,101,000 (30 June 2001: approximately US$24,226,000) were partially secured by pledged bank deposits or by assets of certain subsidiaries as floating charges to banks.

As at 30 June 2002, total pledged bank deposits and assets of certain subsidiaries as floating charges were amounted approximately US$6,085,000 and US$26,808,000 respectively (30 June 2001: US$2,839,000 and US$29,290,000). As at 30 June 2002, total amount of banking facilities available were approximately US$55,481,000 (30 June 2001: US$43,900,000). The Group utilised approximately US$33,484,000 (30 June 2001: approximately US$27,078,000) banking facilities. Despite the increase in borrowing, the Group continued to maintain a healthy financial and cash position. As at 30 June 2002, total cash on hand amounted approximately US$11,531,000 (30 June 2001: approximately US$11,450,000).

CAPITAL STRUCTURE

On 30 August 2001, an agreement was entered into between the Company and an independent institutional investor relating to the subscription and issue of 3% Convertible Bonds (As disclosed in Discloseable transaction announcement on 5 September 2001 and Discloseable transaction circular on 25 September 2001) due on 30 August 2004. The subscription and issue of the Original Tranche 1 Bonds took place on 31 August 2001 and the Company received in cash the sum of US$2,957,000, net of arrangement fee. All the proceeds were used as general working capital of the Group to support the sales and purchase cycle, including inventories, trading receivables and payables.

A three years term loan of US$4,000,000 was arranged with a bank in Hong Kong to be due on October 2004, in which approximately US$2.65 million was used to finance an acquisition of the Taiwan motherboard manufacturer, Pro Team Computer Corporation, the balance of the loan was placed in fixed deposit. Except for the 3% Convertible Bonds, all other borrowings bear interest ranging from around 3.5% to 5.5% per annum. The Group's overall treasury policies are prudent, with a focus on risk management, and those transactions which are directly related to the underlying business of the Group.

INVESTMENT HELD AND FUTURE PLAN FOR INVESTMENT

For the period up to 30 June 2002, the Group beneficially owned 18% share in Synerex Inc, which is principally engaged in the provision of mobile phone hardware solutions. Synerex has taken place a reorganisation and Quasar Communication Technology Holdings Limited was set up and was listed on The Growth Enterprises Market of Stock Exchange of Hong Kong Limited on 30 July 2002. Other than those disclosed in the statement of business objective in the Prospectus, the Group set up a joint venture in the PRC with two independent third parties. The joint venture is principally engaged in manufacture and distribution of computer related hardware. The total investment of the joint venture is approximately RMB100 million, the Group shares about 42.5%. The agreement was entered on 20 May 2002. The joint venture will be funded by internally generated resources of the Group.

MATERIAL ACQUISITIONS

The US$2.65 million acquisition of Taiwan motherboard manufacturer, Pro Team Computer Corporation, is expected to bring synergy to PINE group. Pro-Team's world-class quality performance and research and development expertise will further strengthen PINE's motherboard business. It will attribute also to the better allocation of resources through maximizing the use of existing manufacturing capacity. Through Pro-Team's long established business channels, the acquisition is believed to contribute substantially to the Group's future revenue growth.

STAFF

As at 30 June 2002, the Group employed approximately 400 full-time staff (30 June 2001: approximately 500), at market remuneration with employee benefits such as medical coverage, insurance plan, pension fund scheme, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was approximately US$8.8 million for the year ended 30 June 2002 as compared with that of approximately US$10.5 million for the preceding financial year end. The decrease was resulted from the streamlining activities and reorganisation.

GEARING RATIO

As at 30 June 2002, the gearing ratio of the Group, based on total liabilities over total asset was approximately 53.64% (30 June 2001: approximately 50.24%).

EXCHANGE RISK

The Group's major foreign exchange payments arise from the import of components and materials, and repayments of foreign currency loans, these are principally denominated in US dollars, Hong Kong dollars, Canadian dollars and New Taiwan dollars. For settlement of import payments and foreign currency loans, the Group maintains its foreign exchange balance by its export revenue, that are principally denominated in US dollars, Canadian dollars and New Taiwan dollars. The unsecured risk will be foreign currency payables and loan exceed its foreign currency revenue. The directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirement. When necessary, forward exchange contracts will be used to hedge against foreign currency exposures. As at 30 June 2002, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

At 30 June 2002, the Group had bills discounted with recourse amounting to approximately US$147,000 (30 June 2001: approximately US$300,000).

SEGMENT INFORMATION

Group brand products

With the sluggish growth around the major world market, many companies cut back on their IT expenditure. Revenue of Group brand products decreased by 5.4% to approximately US$90,643,000 as compared to last financial year. While the decreased in revenue, the profit from group brand product decreased by 21.90% to US$1,302,000 compared to last year. During the year, the Group has screened out the low activities and low volume business to maintain the effective business model.

Other brand products

The slip on demand of PC products partly affected the revenue of other brand products that decreased by 26.78% to approximately US$147,616,000 as compared to last financial year. Throughout the year, PINE has successful penetration into the North America market through top market players in mass merchant retail customers, like Best Buy, Sam's Club and Wal-Mart, that has compensated the drop in the revenue of other brand product.

From the date of listing on 26th November 1999, the Group invested approximate HK$52.92 million in financial year 2000; HK$36.79 million in financial year 2001 and HK$15.37 million in financial year 2002 on various projects.

FINANCIAL YEAR 2000

– approximately HK$16,430,000 was used to fund the research & development expenses.

– approximately HK$30,992,000 was used to fund the first and second phase of expansion plans of the Houjie, PRC production facilities.

– approximately HK$4,670,000 was used to set up two branch offices in Melbourne, Australia and Los Angeles, USA to complement its Sydney and New Jersey Branch offices respectively.

– approximately HK$824,000 was used to complete the first stage of the eCommerce project.

FINANCIAL YEAR 2001

– approximately HK$23,407,000 was used to fund the research & development expenses.

– approximately HK$8,800,000 was used to fund the second phase of expansion plan of the Houjie, PRC production facilities.

– approximately HK$2,035,000 was used to set up a business unit in Guangzhou and a logistic office in Netherlands.

– approximately HK$2,545,000 was used to upgrade the Group's management information system.

FINANCIAL YEAR 2002

– approximately HK$15,366,000 was used to fund the research & development expenses.

– the balance of HK$8,021,000 was placed as deposits with banks in Hong Kong as of the year end.

COMPARISON OF THE BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS WITH ACTUAL BUSINESS PROGRESS

Business Objectives as stated in the Prospectus for the year ending 30th June 2002	Actual Business Progress for the year ended 30th June 2002
Product Development	
Launch the 1GHz motherboard line.	Launched the first generation of Pentium 4 1GHz motherboard line.
	Launched the second generation of Pentium 4 2GHz motherboard line.
Launch the low cost Digital Modem series.	Launched a series of high performance 256 bits engine video card to support TV output and digital flat panel display for the latest gaming and entertainment applications.
	Launched a full line of video cards with the top model chipset capable of performing 1.23 trillion operations per second with value added TV capture feature to cater for both extreme gaming and entertainment market.
	Conducted technical viability assessment and specification definition of the 500 MHz video accelerator.
	Conducted technical viability assessment of a 65MHz video accelerator.
	Launched a low cost modem series capable of the newest V.92 data transmission standard.
Conduct assessment and development on the wireless application of MP4 technology on consumer and automobile wireless audio devices.	Conduct pilot run and sample run of SA6400 MMC players. SA6400 equips basic features of music playing, voice recording and phone book that are commonly found in other MMC players in the market. One of the unique features of SA6400 is built-in language learning software program that allows user to listen, record & compare voice function.
	Conduct pilot run and sample run of SA6500 MMC players. SA6500 equips basic features of music playing, voice recording and phone book as well as the direct MP3 encoding features which widen the music source not only from PC. Special model on language learning program is also realised in this player.

Conduct pilot run of MP3 CD Player SM220C.

Conduct pilot run of MP3 & WMA CD player SM240C.

Conducted technical viability assessment of MP3CD Player SM280C that support both MP3 and WMA format with ultra-slim thickness.

Conduct technical viability assessment of Portable CDRW that can support MP3 format playback.

Manufacturing Capacity

No expansion plans for the Group's manufacturing facilities.

Since previous phases of establishment are in full operation to support the production requirements, the Group has not conducted the third phase expansion plan.

Distribution Network

Plan to open two to three new business units in the prospective markets and developing regions such as Latin America, the Middle East and India.

Currently, no additional business unit has been set up as it is not considered appropriate under current market condition.

USE OF PROCEEDS

The net proceeds raised from the initial listing of the shares of the Company on GEM on 26th November 1999 were approximately HK$230 million. During the financial year, the Group utilised approximately HK$15,366,000 in the Group's product development:

	As stated in prospectus For the year ending 30th June 2002 ***HK$ million***	**Actual use of proceeds For the year ending 30th June 2002** ***HK$ million***
Product Development	–	15.37

From the date listed, the Group completed two phases of expansion plan to the manufacturing facilities. During the year under review, it was considered that existing establishments have enough capacity to support the production requirements. Hence, the Group has not conducted the third phase expansion plan. Because of the slow down in worldwide economy the Group considered that it is not appropriate to set up additional business unit and invest additional fund on E-commerce under current market condition. However, the Group believes that the main thrust of PINE's business strategy is to constantly strengthen its R&D capabilities to develop innovative and quality products to the market. As such, the Group varied the implementation plans in the Prospectus. To safeguard the best interest of the Group's resources, the Group adjusted the plans on research and development, production facilities, distribution network and MIS software, which is considered to be in the best interest for the Group and its shareholders.

Changes in use of proceeds to reflect the above are shown as follows:

Implementation Plans	**As stated in Prospectus** ***HK$'000***	**Actual use of Proceeds** ***HK$'000***	**Variation** ***HK$'000***
Product Development	51,106	55,203	4,097
Manufacturing Capacity	46,488	39,792	(6,696)
Distribution Network	7,748	6,705	(1,043)
MIS Software	7,748	3,369	(4,379)
	113,090	105,069	(8,021)

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai, aged 42, is the chairman of the Company and co-founder of the Group. He is responsible for overall strategic planning and formulation of corporate strategy of the Company. He holds a bachelor degree of science in economics from Salem Sate College in the US and a master degree in Business Administration from Northeastern University in the United States. He has over thirteen years of experience in the computer industry and also served as director of 2 health food companies. Chiu was awarded the 1999 Young Industrialist Award of Hong Kong. He is the brother of Mr. Chiu Hang Chin, Samson.

Mr. Ong Se Mon, aged 39, is vice-chairman and chief executive officer of the Group. He is responsible for the Group's overall strategic planning and organization of the company. He holds a bachelor degree in statistics and computer science from New South Wales University, Australia. He has over twelve years' experience in the PC industry. Before joining the Group in July 1994, he previously held a senior management position in an actuary and consulting firm. He is the brother of Mr. Wang, Shih Zen.

Mr. Chiu Hang Chin, **Samson**, aged 44, is the vice-chairman of the Company and is the co-founder of the Group. He is responsible for overall strategic planning and formulation of corporate strategy for the Sales and Distribution Division. He holds a bachelor degree in applied science from Queen's University in Canada and a master degree in business administration from York University in Canada. Chiu has over eighteen years of experience in the PC industry. He is the brother of Mr. Chiu Hang Tai.

Ms Ng Yuk Chun, aged 38, is an executive director of the Company. She also serves as compliance officer and is responsible for the Group's financial and accounting functions. She holds a bachelor degree in business from the University of Ballarat in Australia. She has over ten years' experience in finance and accounting and is a member of CPA Australia and a member of the Hong Kong Society of Accountants. She joined the Group in January 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chi Chung, aged 34, is a non-Executive Director of the Group. Mr. Li is admitted as a solicitor of the Supreme Court of Hong Kong and a partner in a law firm in Hong Kong. He is also a an independent non-executive Director of a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. He was appointed as an independent non-executive director of the Group on 9th June, 2000.

Mr. So Hon Cheung, Stephen, aged 46, is a partner of the accounting firm T.M. Ho, H.C. So & Company and is a fellow member of the Hong Kong Society of Accountants, member of the Canadian Institute of Chartered Accountants, member of the Society of Certified Management Accountants of Canda and a fellow member of the Association of International Accountants. He holds a bachelor in commerce degree from the University of British Columbia, Canada and is now a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of China. He has over twelve years experience in manufacturing, wholesale and trade in the commercial sector and over ten years in public practice working for various companies in Hong Kong, China and Canada. A frequent visitor to China on special engagements, Stephen is also acting as independent non-executive director for three listed companies in Hong Kong. In community and professional services, Stephen was the President of the Lions Club of Bayview for 1999-2000, Superintendent of the Road Safery Patrol for 1987-89, and President of the Society of Certified Management Accountants, British Colombia, Hong Kong Branch for 1989-90.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Leung Yiu Ming, aged 31, is the Company Secretary and Qualified Accountant of the Company. He is responsible for Group's financial and accounting functions. He holds a bachelor degree in commerce from Australian National University. He is a member of the CPA Australia and a member of the Hong Kong Society of Accountants. Prior to joining the Group in 1998, he was an auditor with a Big Five Accounting firms.

SENIOR MANAGEMENT

Ms Ji Yeuh-Er, aged 37, is responsible for management of internal operations for North American offices as well as planning and overseeing the Group's corporate communications strategies and tactics. She hold a master degree in business administration from Pace University in the US. She has over eleven years experience in the financial industry and also served as the CFO and spokesperson for a Singapore-listed packaged food company. Ji joined the Group in March 2000.

Mr. Ng Khing Fah, Royson, aged 43, is responsible for managing the Group's operations in North America and oversees the development of Mass Merchant Strategies. He holds a masters degree in business administration from the University of Sarasota in the US. He has over ten years experience in the PC industry in North America and Canada. Prior to joining the Group in September 1997, he held various management positions in the retail industry.

Mr. Martin Edward Sutton, aged 37, is the vice president for sales (Graphics Division) in Europe. He has over nineteen years' experience in manufacturing, trading, as well as sales and marketing. Before joining the Group in July 1992, he held various senior management positions in manufacturing as well as with import and export companies.

Mr. Wang Shih Zen, aged 42, is responsible for the planning, developing and managing the Group's Internet Appliance division. He holds a masters degree in Engineering from New South Wales University in Australia and a bachelors degree in Electronic engineering from James Cook University in Australia. He has over fifteen years' experience in the field of information technology. Prior to joining the Group in January 2000, he has held various senior management positions in telecommunications companies. He is the brother of Mr. Ong Se Mon.

Mr. Wong Man Fai, **Danny**, aged 41, is responsible for the material planning and purchasing, as well as factories and production facilities of the Group. He holds a diploma in management studies jointly from the Hong Kong Management Association and Hong Kong Polytechnic University. He has over nineteen years of experience in the electronics industry. Prior to joining the Group in June 1995, he held various senior management positions in PC and electronics manufacturing companies.

Mr. Yu Wen Chen, **James**, aged 40, is responsible for the research and development of information technology and Internet Appliance technology in Taiwan. He has more than fifteen years of experience in product development and research as well as development in the computer industry. Prior to joining the Group in May 2000, he held various senior management positions at several computer companies.

Mr. Koh Ming Shan, Micheal, aged 31, is responsible for managing the operations for the Group in Singapore and the function of sales and marketing in South East Asia. He holds a diploma in sales and marketing from Marketing Institute of Singapore. He has over eleven years of PC industry experience. Prior to joining the Group in 1999, he worked as a key marketing and sales professional at top PC companies for ten years.

Mr. Mohit. M. Kirpalani, aged 34 is the V.P. of Sales for the Canadian Distribution division, of the group. He is responsible for the execution of the Distribution Strategy. He holds a Computer Engg (Dip.) from Bombay University in India. He has over fourteen years' experience in the PC industry and ten of which have been with Samtack. Before that he worked in Senior positions in India.

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 43 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2002, the top five suppliers of the Group together accounted for about 57% of the Group's total purchases of materials and components, and the largest supplier accounted for about 36% of the Group's total purchases of materials and components.

None of the directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company has any interests in the Group's five largest suppliers during the year.

In respect of other manufacturers' products distributed by the Group, the top five vendors accounted for about 26% of the Group's purchases of products for the year ended 30 June 2002.

The Group's five largest customers accounted for about 15% of the total sales of the Group for the year ended 30 June 2002.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2002 are set out in the consolidated income statement on page 26 of the annual report.

The directors of the Company do not recommend the payment of a dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years ended 30 June 2002 is set out on page 72 to 73 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired additional property, plant and equipment at a cost of approximately US$0.8 million for business expansion.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

BORROWINGS

Details of bank, other borrowings and convertible bonds of the Group are set out in notes 24, 25 and 30 to the financial statements respectively.

No interest was capitalised by the Group during the year.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 43 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in notes 26 and 27 to the financial statements respectively.

SHARE PREMIUM AND RESERVES

Details of movements during the year in the share premium and reserves of the Group and the Company are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mr. Chiu Hang Tai – *Chairman*
Mr. Ong Se Mon – *Vice Chairman*
Mr. Chiu Hang Chin, Samson – *Vice Chairman*
Ms. Ng Yuk Chun

Independent non-executive directors:

Mr. Li Chi Chung	
Mr. Lo Wai Hung	(resigned on 13 September 2002)
Mr. So Hon Cheung, Stephen	(appointed on 13 September 2002)

Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen were appointed for a term of 2 years expiring on 9 June 2004 and 13 September 2004 respectively.

In accordance with Clause 111 of the Company's Bye-laws, Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen retires and, being eligible, offers themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining directors continue in office.

Non-executive directors and executive directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 November 1999.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") are as follows:

Director	Corporate interests	Personal interests	Family interests	Other interests	Total interests
Mr. Chiu Hang Tai	161,766,000 *(Note 1)*	–	–	–	161,766,000
Mr. Ong Se Mon	90,486,000 *(Note 2)*	318,000	–	–	90,804,000

Notes:

1. 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.

2. These shares are beneficially owned by and registered in the name of Maiden Undertaking Limited. Mr. Ong Se Mon beneficially owns the entire issued share capital of Maiden Undertaking Limited.

In addition to the above, Mr. Chiu Hang Tai beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at 30 June 2002. 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.

Apart from the above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations as at 30 June 2002.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 November 1999 for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 8 November 2009. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company in issue from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

HK$1 shall be paid to the Company upon acceptance of the option. Options may be exercised at any time during the period from a day after the date of grant of the share option but shall end in any event not earlier than three years and not later than ten years from the date of grant of the option subject to the provisions for early termination thereof. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

A summary of the details of share options granted to certain directors and employees to subscribe for shares in the Company is as follows:

Name of director	Date of grant	Exercisable period *(both dates inclusive)*	Exercise price HK$	Number of share options at 1 July 2001 and 30 June 2002
Mr. Chiu Hang Tai	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000
Mr. Ong Se Mon	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,904,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,904,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,904,000
Mr. Chiu Hang Chin, Samson	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000
Ms. Ng Yuk Chun	31.1.2000	28.1.2001 to 27.1.2006	1.674	300,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	300,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	300,000
	10.7.2000	10.7.2001 to 9.7.2004	1.240	200,000
Others	31.1.2000	28.1.2001 – 27.1.2006	1.674	3,546,000
	31.1.2000	28.1.2002 – 27.1.2007	1.674	3,316,000
	10.7.2000	28.1.2001 – 27.1.2004	1.056	2,854,000
	10.7.2000	10.7.2001 – 9.7.2004	1.056	1,114,000
	10.7.2000	10.7.2001 – 9.7.2005	1.056	1,138,000
	10.7.2000	10.7.2001 – 9.7.2004	1.240	11,056,000
	12.4.2001	16.5.2001 – 15.5.2006	0.335	8,100,000
	12.4.2001	1.10.2001 – 30.9.2006	0.335	2,500,000
				46,964,000

No share option was granted, cancelled, lapsed or exercised by the directors and employees during the year.

As at 30 June 2002, the number of shares in respect of which options had been granted under the Scheme was 46,964,000, representing 6.9% of the shares of the Company in issue at that date.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholders had interests representing 10% or more of the issued share capital of the Company:

Name	Number of shares	Approximate percentage of issued shares held
Mr. Chiu Kwong Chi	174,998,732 *(Note 1)*	25.63
Madam Wong Wai Ying	174,998,732 *(Note 1)*	25.63
Alliance Express Group Limited	161,766,000 *(Note 2)*	23.69
Concept Express Investments Limited	122,760,000 *(Note 1)*	17.98
Maiden Undertaking Limited	90,486,000 *(Note 3)*	13.25

Notes:

1. Mr. Chiu Kwong Chi is the husband of Madam Wong Wai Ying. Mr. Chiu Kwong Chi and Madam Wong Wai Ying are each deemed to be interested in 174,998,732 shares of which 122,760,000 shares are beneficially owned and registered in the name of Concept Express Investments Limited, which is beneficially owned as to 47.82% of its entire issued share capital by Mr. Chiu Kwong Chi; and 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly owned by Madam Wong Wai Ying.

2. The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.

3. The entire issued share capital of Maiden Undertaking Limited is beneficially owned by Mr. Ong Se Mon.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30 June 2002.

CONNECTED TRANSACTIONS

The Group had also entered into the following transactions with松景科技控股有限公司("Pine Taiwan"), a non-wholly owned subsidiary of the Company which in turn is owned as to approximately 40% by Mr. Ong Se Mon, a director of the Company, as to approximately 55% by Pan Eagle Limited, a wholly owned subsidiary of the Company and as to 5% by Ms Ji Yeuh-Er, a director of Samtack Computer Inc, which is a wholly owned subsidiary of the Company.

	US'000
Sales to Pine Taiwan	25
Purchases from Pine Taiwan	276
Commission paid to Pine Taiwan	386
Interest income from Pine Taiwan	29

The sales and purchases were carried out at cost plus certain percentages profit mark-up. The commission paid was calculated at certain percentages on the amounts of vendors' invoices handled by Pine Taiwan. The interest income was calculated at 6.8% per annum on the borrowing amounts due from Pine Taiwan. These transactions were carried out in the ordinary and usual course of business.

The independent non-executive directors have reviewed and confirmed that the transactions have been carried out under normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable in so far as the sharehoders of the Company are concerned.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed above and in note 42 to the financial statements:

(i) there was no transaction which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"); and

(ii) no contract of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share options and convertible bonds as set out in notes 27 and 30 to the financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2002.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SPONSORS' INTEREST

At 30 June 2002, Core Pacific-Yamaichi International (H.K.), an associate of the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY"), beneficially interested in 252,000 shares of HK$0.1 each in the share capital of the Company. Other than as disclosed above, none of CPY's directors, employees or associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 15 November 1999 entered into between the Company and CPY, CPY has received and will receive a fee for acting as the Company's retained sponsor for the period from 26 November 1999 to 30 June 2002.

AUDIT COMMITTEE

During the year, the Audit Committee comprised the two independent non-executive directors of the Company, namely, Messrs. Lo Wai Hung and Li Chi Chung. On 13 September 2002, Mr. Lo Wai Hung resigned from the Audit Committee and Mr. So Hon Cheung, Stephen is appointed as a member of the Audit Committee.

Up to the date of approval of these financial statements, the Audit Committee has held two meetings and have reviewed and commented on the Company's draft annual and interim financial reports.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 June 2002 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chiu Hang Tai
Chairman
Hong Kong, 20 September 2002

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Certified Public Accountants
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永安中心26樓
Deloitte Touche Tohmatsu

TO THE SHAREHOLDERS OF PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 September 2002

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	**2002** **US$'000**	2001 US$'000
Turnover	4	**238,259**	297,434
Cost of sales		**(217,086)**	(271,285)
Gross profit		**21,173**	26,149
Other revenue		**803**	633
Selling and distribution expenses		**(4,021)**	(6,211)
General and administrative expenses		**(16,084)**	(17,499)
Profit from operations	5	**1,871**	3,072
Loss on disposal of a subsidiary		**(31)**	–
Gain on disposal of partial interest in a subsidiary		**–**	578
Finance costs	6	**(1,642)**	(2,464)
Profit before taxation		**198**	1,186
Taxation	9	**(43)**	(255)
Profit before minority interests		**155**	931
Minority interests		**248**	–
Net profit for the year		**403**	931
Dividend	10	**–**	1,757
Earnings per share	11		
Basic *(US cents)*		**0.06**	0.14
Diluted *(US cents)*		**0.06**	0.14

AS AT 30 JUNE 2002

	Notes	**2002** **US$'000**	2001 US$'000
Non-current assets			
Property, plant and equipment	12	**7,873**	6,121
Development costs	13	**912**	1,683
Technical know-how	14	**397**	783
Trademarks	15	**90**	77
Investments in securities	17	**4,833**	2,836
Investment in a jointly controlled entity	18	**5,154**	–
Goodwill	19	**207**	–
		19,466	11,500
Current assets			
Inventories	20	**20,671**	24,527
Trade and other receivables	21	**46,501**	40,580
Tax recoverable		**417**	110
Pledged bank deposits	22	**6,085**	2,839
Bank balances and cash		**11,531**	11,450
		85,205	79,506
Current liabilities			
Trade and other payables	23	**14,272**	18,837
Bills payable		**3,322**	2,394
Taxation		**15**	103
Bank borrowings – due within one year	24	**28,901**	24,322
Other borrowings	25	**1,114**	62
		47,624	45,718
Net current assets		**37,581**	33,788
		57,047	45,288

	Notes	2002 US$'000	2001 US$'000
Capital and reserves			
Share capital	26	**8,790**	8,790
Share premium and reserves	28	**39,686**	37,062
		48,476	45,852
Minority interests	29	**54**	(564)
Non-current liabilities			
Bank borrowings – due after one year	24	**5,374**	–
Convertible bonds	30	**3,000**	–
		8,374	–
Deferred taxation	31	**143**	–
		57,047	45,288

The financial statements on pages 26 to 71 were approved and authorised for issue by the Board of Directors on 20 September 2002 and are signed on its behalf by:

Chiu Hang Tai
Director

Ong Se Mon
Director

AS AT 30 JUNE 2002

	Notes	**2002** **US$'000**	2001 US$'000
Non-current assets			
Trademarks	*15*	**11**	4
Investments in subsidiaries	*16*	**9,087**	9,087
		9,098	9,091
Current assets			
Other receivables		**–**	1
Amounts due from subsidiaries		**33,621**	30,950
Bank balances		**329**	–
		33,950	30,951
		43,048	40,042
Capital and reserves			
Share capital	*26*	**8,790**	8,790
Share premium and reserves	*28*	**31,258**	31,252
		40,048	40,042
Non-current liability			
Convertible bonds	*30*	**3,000**	–
		43,048	40,042

Chiu Hang Tai
Director

Ong Se Mon
Director

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 US$'000	2001 US$'000
Exchange differences arising on translation of overseas operations not recognised in the income statement	28	**191**	(48)
Gain on revaluation of investment in securities	28	**1,997**	–
Net profit for the year		**403**	931
Total recognised gains		**2,591**	883
Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9	2		
– Increase in accumulated profits as at 1 July 2000			1,757

FOR THE YEAR ENDED 30 JUNE 2002

	Notes	**2002** **US$'000**	2001 US$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*32*	**2,361**	3,930
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**144**	390
Interest paid on bank borrowings		**(1,518)**	(2,422)
Interest paid on other borrowings		**(48)**	(42)
Interest paid on convertible bonds		**(76)**	–
Dividends paid		**–**	(1,757)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(1,498)**	(3,831)
TAXATION			
Hong Kong Profits Tax paid		**(20)**	(903)
Overseas tax paid		**(291)**	(238)
TAX PAID		**(311)**	(1,141)
INVESTING ACTIVITIES			
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	*33*	**(1,523)**	–
Investment in a jointly controlled entity		**(5,154)**	–
Proceeds from disposal of property, plant and equipment		**85**	45
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	*34*	**(121)**	–
Proceeds from disposal of partial interest in a subsidiary		**–**	14
Proceeds from disposal of investment in securities		**–**	47
Purchase of property, plant and equipment		**(777)**	(2,194)
Purchase of investment in securities		**–**	(2,836)
Development expenditure incurred		**(863)**	(2,311)
Acquisition of trademarks		**(8)**	(4)
Increase in pledged bank deposits		**(1,189)**	(719)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(9,550)**	(7,958)
NET CASH OUTFLOW BEFORE FINANCING		**(8,998)**	(9,000)

	Notes	**2002 US$'000**	2001 US$'000
FINANCING	35		
New loans raised		**17,026**	3,010
Other borrowings raised		**1,114**	–
Repayment of bank borrowings		**(183)**	(5,311)
Repayment of other borrowings		**(67)**	(327)
Contribution from minority shareholder of a subsidiary		**655**	–
Proceeds from issue of convertible bonds		**3,000**	–
Repurchase of own shares		**–**	(137)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		**21,545**	(2,765)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,547**	(11,765)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**(9,862)**	1,743
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**105**	160
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,790**	(9,862)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**11,531**	11,450
Short-term bank borrowings and overdrafts		**(8,741)**	(21,312)
		2,790	(9,862)

FOR THE YEAR ENDED 30 JUNE 2002

1. GENERAL

The Company is incorporated as an exempted company with limited liability in Bermuda. The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 43.

The financial statements are presented in United States dollars, the currency in which the majority of the transactions is denominated.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, these SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events After the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds of the Company and the Group at 1 July 2000 by the amount of US$1,757,000.

As a result of the revision of SSAP 9 (Revised) "Events After the Balance Sheet Date", SSAP 18 "Revenue" has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by the subsidiaries are not recognised by the Company as income at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change has been to decrease shareholders' fund of the Company as at 1 July 2000 by HK$1,757,000.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30 June 2001 have been amended so that they are presented on a consistent basis.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Intangible assets

In prior years, the Group did not recognise any regular amortisation charge in respect of its trademarks due to the fact that the recoverable amount of the trademarks was considered to be in excess of their carrying amount. SSAP 29 "Intangible Assets" requires that all intangible assets should be amortised over their useful lives. Accordingly, in the current year, the Group has adopted a policy of amortisation over the useful lives of the trademarks, not exceeding 20 years. This change in accounting policy has no significant effect on the prior years' financial statements and no prior period adjustment has been made.

Goodwill and negative goodwill

In the current year, the Group has adopted SSAP 30 "Business Combination" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 July 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 30 June 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1 July 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on the acquisitions after 1 July 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. The revised accounting policy is set out in note 3 accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or a jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 July 2001 is capitalised and amortised on a straight-line basis over its useful economic life or twenty years, whichever is shorter. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of a jointly controlled entity is included in the carrying amount of the jointly controlled entity.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or a jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 July 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1 July 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to the income statement in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on acquisition of a jointly controlled entity is deducted from the carrying value of that jointly controlled entity. Negative goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of results of its jointly controlled entities is included in the consolidated income statement.

Revenue recognition

Sales of goods is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and impairment losses.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method as follows:

	Revised useful lives	**Original useful lives**
Freehold land	Freehold	Freehold
Buildings	10 years	–
Leasehold improvements	2-10 years	4 years
Plant and machinery	2-6 years	2-4 years
Motor vehicles	4-6 years	4 years
Furniture, fixtures and equipment	4-6 years	4-5 years
Computer equipment	4-5 years	4-5 years

With effect from 1 July 2001, depreciation rates on certain categories of property, plant and equipment were changed to reflect the Group's previous experience of the useful lives of its assets. The change in depreciation rates has decreased the depreciation charge for the year by approximately US$919,000.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life of the project from the date of commencement of commercial operation subject to a maximum of two years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Technical know-how

Expenditure on acquiring rights to technical know-how from third parties for production of the Group's new or modified products are stated at cost less amortisation and impairment losses. Amortisation is provided to write off the cost on a straight line basis over a maximum period of five years.

Trademarks

Trademarks are measured initially at cost and amortised on a straight-line basis over their estimated useful lives of not exceeding twenty years. Costs incurred in subsequent renewals are charged as expenses.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost. At subsequent reporting dates, all investments in securities are carried at fair value. For securities acquired for trading purposes, valuation movements are dealt with in the income statement. For other securities, valuation movements are dealt with in equity.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than United States dollars are translated into United States dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than United Stated dollars are re-translated into United States dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries are translated to United States dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with through the exchange reserve.

Retirement benefit scheme contributions

The contributions payable to the Group's retirement benefit schemes and mandatory provident fund scheme are charged to the income statement.

Operating leases

Rentals payable under operating leases are charged as expense on a straight line basis over the term of the relevant leases.

4. TURNOVER AND SEGMENTS INFORMATION

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year.

Business segments

For management purposes, the Group is currently organized into two operating divisions – manufacture and sales of products under the Group's brand names ("Group brand products") and distribution of other manufacturers products ("Other brand products"). These divisions are the basis on which the Group reports its primary segment information.

4. TURNOVER AND SEGMENTS INFORMATION *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below:

2002

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
REVENUE			
External sales	90,643	147,616	238,259
RESULT			
Segment results	1,302	1,687	2,989
Unallocated other revenue			144
Unallocated corporate expenses			(1,262)
Profit from operations			1,871
Loss on disposal of a subsidiary			(31)
Finance costs			(1,642)
Profit before taxation			198
Taxation			(43)
Profit before minority interests			155
Minority interests			248
Net profit for the year			403

4. TURNOVER AND SEGMENTS INFORMATION *(continued)*

Business segments *(continued)*

BALANCE SHEET

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
ASSETS			
Segment assets	60,325	32,394	92,719
Investment in a jointly controlled entity			5,154
Unallocated corporate assets			6,798
Consolidated total assets			104,671
LIABILITIES			
Segment liabilities	12,067	5,527	17,594
Unallocated corporate liabilities			38,547
Consolidated total liabilities			56,141

OTHER INFORMATION

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
Capital expenditure	3,808	278	4,086
Depreciation and amortisation	3,230	305	3,535

4. TURNOVER AND SEGMENTS INFORMATION *(continued)*

Business segments *(continued)*

2001

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
REVENUE			
External sales	95,821	201,613	297,434
RESULT			
Segment results	1,667	1,779	3,446
Unallocated other revenue			390
Unallocated corporate expenses			(764)
Profit from operations			3,072
Gain on disposal of partial interest in a subsidiary			578
Finance costs			(2,464)
Profit before taxation			1,186
Taxation			(255)
Profit before minority interests			931
Minority interests			–
Net profit for the year			931

4. TURNOVER AND SEGMENTS INFORMATION *(continued)*

Business segments *(continued)*

BALANCE SHEET

	Group brand products *US$'000*	Other brand products *US$'000*	Consolidated *US$'000*
ASSETS			
Segment assets	48,438	38,478	86,916
Unallocated corporate assets			4,090
Consolidated total assets			91,006
LIABILITIES			
Segment liabilities	10,916	10,315	21,231
Unallocated corporate liabilities			24,487
Consolidated total liabilities			45,718

OTHER INFORMATION

	Group brand products *US$'000*	Other brand products *US$'000*	Consolidated *US$'000*
Capital expenditure	4,055	454	4,509
Depreciation and amortisation	3,588	545	4,133

4. TURNOVER AND SEGMENTS INFORMATION *(continued)*

Geographical segments

The Group's operations are located in North America, Europe, Asia, Middle East and Africa and Australia.

The following is an analysis of the Group sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market		Contribution to profit from operations	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
North America	**149,900**	180,145	**1,291**	1,600
Europe	**22,516**	28,939	**(130)**	(664)
Asia	**57,365**	70,472	**1,901**	2,565
Others	**8,478**	17,878	**(73)**	(55)
	238,259	297,434	**2,989**	3,446
Unallocated other revenue			**144**	390
Unallocated corporate expenses			**(1,262)**	(764)
Profit from operations			**1,871**	3,072

The following is an analysis of the carrying amount of segment assets and the capital expenditures, analysed by the geographical area in which assets are located:

	Carrying amount of segment assets		Capital expenditures	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
North America	**22,473**	26,694	**23**	122
Europe	**6,679**	4,904	**207**	66
Asia	**73,514**	55,066	**3,856**	4,311
Others	**2,005**	4,342	**–**	10
	104,671	91,006	**4,086**	4,509

5. PROFIT FROM OPERATIONS

	2002	2001
	US$'000	US$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**173**	255
Amortisation of development costs	**1,652**	1,631
Amortisation of technical know-how	**386**	386
Amortisation of trademarks	**1**	–
Amortisation of goodwill	**11**	–
Research and development costs charged for the year	**1,107**	690
Depreciation of property, plant and equipment	**1,485**	2,116
Staff costs including directors' remuneration	**8,809**	10,515
Operating lease rentals in respect of land and buildings	**929**	1,706
Exchange loss	**–**	685
Loss on disposal of property, plant and equipment	**47**	76
and after crediting:		
Exchange gain	**168**	–
Interest income	**144**	390

6. FINANCE COSTS

	2002	2001
	US$'000	US$'000
Interest on bank borrowings wholly repayable within five years	**(1,518)**	(2,422)
Interest on other borrowings wholly repayable within five years	**(48)**	(42)
Interest on convertible bonds	**(76)**	–
	(1,642)	(2,464)

7. DIRECTORS' REMUNERATION

	2002 US$'000	2001 US$'000
Fees:		
Independent non-executive directors	**32**	32
	32	32
Other emoluments to executive directors:		
Basic salaries and other benefits	**622**	668
Retirement benefits scheme contributions	**17**	20
	639	688
	671	720

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
US$Nil to US$129,000	**4**	3
US$129,001 to US$193,000	**1**	2
US$258,000 to US$322,000	**1**	1

The executive directors received individual emoluments for the year ended 30 June 2002 of approximately US$268,000 (2001: US$263,000), US$160,000(2001: US$193,000), US$117,000 (2001: US$130,000) and US$94,000 (2001: US$102,000).

The independent non-executive directors received director's fee for the year ended 30 June 2002 of approximately US$16,000 (2001: US$16,000) and US$16,000 (2001: US$16,000).

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included four (2001: three) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining one (2001: two) individual are as follows:

	2002	2001
	US$'000	*US$'000*
Basic salaries and other benefits	**98**	276
Retirement benefits scheme contributions	**–**	13
	98	289

The aggregate emoluments of each of the employees are within the band of US$Nil to US$129,000 (2001: US$129,001 to US$193,000).

During each of the two years ended 30 June 2002, no emolument was paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during each of the two years ended 30 June 2002.

9. TAXATION

	2002	2001
	US$'000	*US$'000*
The charge comprises:		
Hong Kong Profits Tax	**(1)**	–
Taxation arising in other jurisdictions	**(108)**	(210)
(Under) overprovision in prior year		
– Hong Kong	**(19)**	(45)
– Other jurisdictions	**228**	–
Deferred taxation	**(143)**	–
	(43)	(255)

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant laws and regulations in The People's Republic of China (the "PRC"), the Company's PRC subsidiaries, Dongguan Pan Eagle Electronic Limited (東莞業榮電子有限公司) ("DPE") and Quality Eagle Technology Dougguan Ltd (品嘉電子(東莞)有限公司) ("QET"), are entitled to an exemption from income tax for two years from its first profitable year of operation, followed by a 50% reduction for the next three years. The first profitable year of DPE started as from 1 January 1998. QET is still exempted from income tax for the year.

Details of deferred taxation are set out in note 31.

10. DIVIDEND

	2002 US$'000	2001 US$'000
Final dividend paid in respect of 2000 of HK$0.02 (equivalent to approximately US cents 0.26) per share	–	1,757

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2002 US$'000	2001 US$'000
Earnings for the purpose of basic earnings per share	403	931
Effects of dilutive potential ordinary shares:		
Interest on convertible bonds	76	–
Earnings for the purpose of calculating diluted earnings per share	479	931

	2002	2001
Weighted average number of ordinary shares for the purpose of basic earnings per share	682,786,000	684,062,258
Effects of dilutive potential ordinary shares:		
Share options	–	983,468
Convertible bonds	109,808,893	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	792,594,893	685,045,726

The share options have no dilutive effect on ordinary shares for the year because the exercise price of the Company's share options was higher than the average market price for shares in the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Furniture, fixtures and equipment US$'000	Computer equipment US$'000	Total US$'000
THE GROUP							
COST							
At 1 July 2001	–	3,928	4,056	307	1,244	1,019	10,554
Exchange adjustments	96	45	67	4	16	19	247
Acquired on acquisition of subsidiary	2,245	–	57	27	96	13	2,438
Additions	–	2	81	–	27	667	777
Disposal of subsidiary	–	–	–	(3)	(59)	(20)	(82)
Disposals	–	(38)	(86)	(121)	(137)	(169)	(551)
At 30 June 2002	**2,341**	**3,937**	**4,175**	**214**	**1,187**	**1,529**	**13,383**
DEPRECIATION							
At 1 July 2001	–	1,518	1,567	163	698	487	4,433
Exchange adjustments	3	15	20	1	6	5	50
Provided for the year	27	367	569	39	148	335	1,485
Disposal of subsidiary	–	–	–	(1)	(28)	(10)	(39)
Eliminated on disposals	–	(25)	(63)	(80)	(98)	(153)	(419)
At 30 June 2002	**30**	**1,875**	**2,093**	**122**	**726**	**664**	**5,510**
NET BOOK VALUES							
At 30 June 2002	**2,311**	**2,062**	**2,082**	**92**	**461**	**865**	**7,873**
At 30 June 2001	–	2,410	2,489	144	546	532	6,121

The Group has pledged freehold land and buildings having a net book value of approximately US$2,311,000 to secure general banking facilities granted to the Group.

13. DEVELOPMENT COSTS

	US$'000
THE GROUP	
COST	
At 1 July 2001	5,051
Exchange differences	74
Additions	863
At 30 June 2002	**5,988**
AMORTISATION	
At 1 July 2001	3,368
Exchange differences	56
Provided for the year	1,652
At 30 June 2002	**5,076**
NET BOOK VALUES	
At 30 June 2002	**912**
At 30 June 2001	1,683

The amortisation period adopted for development costs is two years.

14. TECHNICAL KNOW-HOW

	US$'000
THE GROUP	
COST	
At 1 July 2001 and 30 June 2002	**1,367**
AMORTISATION	
At 1 July 2001	584
Provided for the year	386
At 30 June 2002	**970**
NET BOOK VALUES	
At 30 June 2002	**397**
At 30 June 2001	783

The amortisation period adopted for technical know-how ranges from two to five years.

15. TRADEMARKS

	US$'000
THE GROUP	
COST	
At 1 July 2001	77
Exchange differences	6
Additions	8
At 30 June 2002	**91**
AMORTISATION	
At 1 July 2001	–
Provided for the year	1
At 30 June 2002	**1**
NET BOOK VALUES	
At 30 June 2002	**90**
At 30 June 2001	*77*
THE COMPANY	
COST	
At 1 July 2001	4
Additions	8
At 30 June 2002	**12**
AMORTISATION	
At 1 July 2001	–
Provided for the year	1
At 30 June 2002	**1**
NET BOOK VALUES	
At 30 June 2002	**11**
At 30 June 2001	4

The amortisation period adopted for trademarks is twenty years.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	US$'000	*US$'000*
Unlisted shares	**9,087**	9,087

The Company's investments in the subsidiaries is determined by the directors on the basis of the underlying assets of the subsidiaries at the time they were acquired by the Company pursuant to the group reorganisation which took place on 9 November 1999 ("Group Reorganisation").

Particulars of the Company's subsidiaries at 30 June 2002 are set out in note 43.

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Other securities, unlisted	**4,833**	2,836

18. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Share of net assets	**5,154**	–

As at 30 June 2002 the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	**Place of registration/ operation**	**Contributed capital**	**Proportion of registered capital** %	**Principal activities**
成都景豐嘉訊科技有限公司	People's Republic of China ("PRC")	RMB100,000,000	42.50	Manufacturing and distribution of computer components

No share of results is recognised in the financial statements as 成都景豐嘉訊科技有限公司 was set up on 27 March 2002 and no operation has been carried out during the period ended 30 June 2002.

19. GOODWILL

	US$'000
THE GROUP	
COST	
Arising on acquisition during the year and at 30 June 2002	218
AMORTISATION	
Charge for the year and at 30 June 2002	(11)
NET BOOK VALUES	
At 30 June 2002	**207**
At 30 June 2001	–

The amortisation period adopted for goodwill is twenty years.

20. INVENTORIES

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Raw materials	**7,127**	6,786
Work in progress	**1,326**	1,018
Finished goods	**12,218**	16,723
	20,671	24,527

Included above are raw materials of US$Nil (2001: US$6,647,000) and finished goods of US$5,432,296 (2001: US$13,840,000) which are carried at net realisable value and no work in progress is carried at net realisable value.

21. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 0 to 180 days to its trade customers. The following is an aged analysis of accounts receivable:

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Current	**23,191**	14,156
1 to 30 days	**6,880**	8,247
31 to 60 days	**2,560**	4,670
61 to 90 days	**2,555**	1,991
Over 90 days	**7,728**	7,701
Trade receivables	**42,914**	36,765
Deposits, prepayments and other receivables	**3,587**	3,815
	46,501	40,580

22. PLEDGED BANK DEPOSITS

THE GROUP

The pledged bank deposits have been placed in designated bank accounts in favour of the banks as part of the security for the short term banking facilities granted to the Group by banks.

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable:

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Current	**6,924**	9,102
1 to 30 days	**2,977**	3,930
31 to 60 days	**855**	1,543
61 to 90 days	**340**	49
Over 90 days	**269**	972
Trade payables	**11,365**	15,596
Deposits in advance, accruals and other payable	**2,907**	3,241
	14,272	18,837

24. BANK BORROWINGS

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Bank borrowings comprise the following:		
Trust receipts and import loans	**16,565**	13,777
Other bank loans	**17,309**	9,411
Bank overdrafts	**401**	1,134
	34,275	24,322
Secured	**33,987**	24,226
Unsecured	**288**	96
	34,275	24,322
The bank borrowings are repayable as follows:		
On demand or within one year	**28,901**	24,322
More than two years, but not exceeding five years	**3,641**	–
More than five years	**1,733**	–
	34,275	24,322
Less: amounts due within one year shown under current liabilities	**(28,901)**	(24,322)
Amounts due after one year	**5,374**	–

25. OTHER BORROWINGS

THE GROUP

Other borrowings are secured by certain of the Group's trade receivables amounting to US$2,181,000 (2001: US$274,000), bear interest at prevailing market rates and are repayable within one year.

26. SHARE CAPITAL

Movements in the share capital of the Company were as follows:

	Number of shares	Value	United States dollars equivalent
		HK$'000	*US$'000*
Ordinary shares of HK$0.1 each:			
Authorised			
At 30 June 2001 and 30 June 2002	**2,000,000,000**	**200,000**	**25,747**
Issued and fully paid			
At 1 July 2000	684,750,000	68,475	8,815
Shares repurchased and cancelled	(1,964,000)	(196)	(25)
At 30 June 2001 and 30 June 2002	**682,786,000**	**68,279**	**8,790**

In February 2001, the Company repurchased 1,964,000 of its own ordinary shares of HK$0.10 each through the GEM of the Stock Exchange and subsequently cancelled them. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company. The highest and lowest price per share was HK$0.55 and HK$0.53 respectively. The aggregate consideration paid was HK$1,069,000 (equivalent to US$137,000).

Saved as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

27. SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 9 November 1999 for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 8 November 2009. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

27. SHARE OPTIONS *(continued)*

Details of the share options granted under the share option scheme to subscribe for the shares in the Company are as follows:

Date of grant	**Exercisable period**	**Exercise price** *HK$*	**Number of share options at 1 July 2001 and 30 June 2002**
31.1.2000	28.1.2001 – 27.1.2006	1.674	7,926,000
31.1.2000	28.1.2002 – 27.1.2007	1.674	7,696,000
10.7.2000	28.1.2001 – 27.1.2004	1.056	7,234,000
10.7.2000	10.7.2001 – 9.7.2004	1.056	1,114,000
10.7.2000	10.7.2001 – 9.7.2005	1.056	1,138,000
10.7.2000	10.7.2001 – 9.7.2004	1.240	11,256,000
12.4.2001	16.5.2001 – 15.5.2006	0.335	8,100,000
12.4.2001	1.10.2001 – 30.9.2006	0.335	2,500,000
			46,964,000

No share option to subscribe for the shares of the Company was granted, cancelled, lapsed or exercised during the year.

28. 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	Accumulated profits US$'000	Total US$'000
THE GROUP								
Balance at 1 July 2000								
– as originally stated	22,327	2,954	(144)	(1,611)	63	–	12,702	36,291
– restatement of dividend payable *(Note 2)*	–	–	–	–	–	–	1,757	1,757
– as restated	22,327	2,954	(144)	(1,611)	63	–	14,459	38,048
Premium paid on shares repurchased	(112)	–	–	–	–	–	–	(112)
Exchange differences on translation of overseas operations	–	–	(48)	–	–	–	–	(48)
Profit for the year	–	–	–	–	–	–	931	931
Dividends paid	–	–	–	–	–	–	(1,757)	(1,757)
Balance at 30 June 2001	22,215	2,954	(192)	(1,611)	63	–	13,633	37,062
Released upon disposal of a subsidiary	–	–	–	33	–	–	–	33
Exchange differences on translation of overseas operations	–	–	191	–	–	–	–	191
Revaluation increase	–	–	–	–	–	1,997	–	1,997
Profit for the year	–	–	–	–	–	–	403	403
Transferred to capital reserve	–	–	–	–	4	–	(4)	–
Balance at 30 June 2002	**22,215**	**2,954**	**(1)**	**(1,578)**	**67**	**1,997**	**14,032**	**39,686**

28. SHARE PREMIUM AND RESERVES *(continued)*

	Share premium account *US$'000*	Contributed surplus *US$'000*	Accumulated profits *US$'000*	Total *US$'000*
THE COMPANY				
Balance at 1 July 2000				
– as originally stated	22,327	9,035	17	31,379
– restatement of dividend receivable *(Note 2)*	–	–	(1,757)	(1,757)
– restatement of dividend payable *(Note 2)*	–	–	1,757	1,757
– as restated	22,327	9,035	17	31,379
Premium paid on shares repurchased	(112)	–	–	(112)
Profit for the year	–	–	1,742	1,742
Dividend paid	–	–	(1,757)	(1,757)
Balance at 30 June 2001	22,215	9,035	2	31,252
Profit for the year	–	–	6	6
Balance at 30 June 2002	**22,215**	**9,035**	**8**	**31,258**

The surplus account represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Pine Technology (BVI) Limited, the subsidiary which was acquired by the Company pursuant to the Group Reorganisation.

Goodwill reserve includes US$1,000 (2001: US$1,000) in respect of negative goodwill. Goodwill of US$33,000 (2001: US$Nil) was released to income statement in the year upon disposal of a subsidiary.

Capital reserve represents statutory reserves transferred from accumulated profits as required by the relevant laws and regulations applicable to the Group's subsidiaries in the PRC and Republic of China.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Pine Technology (BVI) Limited at the date on which the Group Reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group Reorganisation.

Under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if;

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

28. SHARE PREMIUM AND RESERVES *(continued)*

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2002	2001
	US$'000	*US$'000*
Contributed surplus	**9,035**	9,035
Accumulated profits	**8**	2
	9,043	9,037

29. MINORITY INTERESTS

The balance of minority interests in last year represented the shareholders' deficit attributable to the minority shareholder of 松景科技有限公司 ("Pine Taiwan"), a subsidiary of the Company incorporated in the Republic of China. Pursuant to the sale and purchase agreement entered into between the Group and the minority shareholder, Mr. Ong Se Mon ("Mr. Ong"), a director of the Company, on 21 May 2001, Mr. Ong has an obligation to make good the attributable losses and accordingly the share of deficit attributed to the minority shareholder is in excess of the minority interest in the equity of Pine Taiwan. Further details are set out in note 42.

30. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2002	2001
	US$'000	*US$'000*
Principal amount	**3,000**	–

On 30 August 2001, an agreement was entered into between the Company and an independent institutional investor ("Investor") relating to the subscription and issue of 3% Convertible Bonds ("3% Bonds").

The 3% Bonds consist of two tranches: Tranche 1 Bonds and Tranche 2 Bonds. Each of the two tranches has a principal amount of US$3,000,000. The Company has granted an option to the Investor under the agreement to require the Company to issue the additional Tranche 1 Bonds with principal amount of US$3,000,000, such option to be exercisable by the Investor during the period of one year from 1 March 2002 or the date on which the Investor has first converted in aggregate 50% or more of the principal amount of the Tranche 1 Bonds into shares of the Company in accordance with the terms of the 3% Bonds, whichever is earlier.

30. CONVERTIBLE BONDS *(continued)*

The Investor has granted an option to the Company under the agreement to require the Investor to subscribe and pay for the Tranche 2 Bonds, such option to be exercisable by the Company within sixty calendar days following and subject to the conversion of the last of the Tranche 1 Bonds and subject to the satisfaction of certain conditions as below:

(a) The average closing prices per share for the thirty business days immediately preceding the date on which the Company exercises the option is greater than the average closing prices per share for the fifty consecutive business days immediately preceding 31 August 2001;

(b) The average trading volume of the shares for each of the thirty business days immediately preceding the date on which the Company exercises the option is greater than 2,500,000 shares; and

(c) The Company has obtained the approval of its shareholders to the issue of the maximum number of shares which could be required to be issued under the terms of the 3% Bonds.

The principal terms of the 3% Bonds include the followings:

(a) The 3% Bonds may be converted into new ordinary shares of HK$0.10 each of the Company forty five days after the date of issue to 23 August 2004.

(b) The conversion price for the 3% Bonds would be the lower of:

    (i) 130% of the average closing prices per share on the GEM of the Stock Exchange for the fifty consecutive business days immediately prior to the date of issue; or

    (ii) 93% of the average of any five consecutive closing prices per share on the GEM of the Stock Exchange as selected by the Investor during the twenty five consecutive business days immediately prior to the date of conversion.

(c) The 3% Bonds bear interest at 3% per annum payable semi-annually in arrears on 30 June and 30 December in each year.

(d) The maturity date of the 3% Bonds is 30 August 2004.

(e) The Company has the right at any time before the maturity date to redeem the outstanding 3% Bonds for an amount between 110% and 115% of the principal amount plus accrued interest. Such redemption amount is:

    (i) 110% of the principal amount of the 3% Bonds if redemption is made within the first 360 days after the date of issue; and

    (ii) 115% of the principal amount of the 3% Bonds for the remaining period up to 30 August 2004.

(f) The shares allotted and issued upon the exercise of the conversion rights attaching to the 3% Bonds are rank pari passu in all respects with all other existing shares in issue on the date of conversion.

30. CONVERTIBLE BONDS *(continued)*

The subscription and issue of the Original Tranche 1 Bonds took place on 31 August 2002 and the Company received in cash the sum of US$2,957,000, net of arrangement fee.

Pursuant to the agreement, the Company has also granted to the Investor the option for the subscription of up to 13,000,000 new shares of the Company of HK$0.10 each ("Subscription Right") at various prices based on the average closing prices during the twenty consecutive business days immediately before 31 August 2001. The Subscription Right is exercisable by the Investor at any time from 31 August 2001 to 30 August 2004.

31. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred tax assets (liabilities), provided and unprovided of the Group are as follows:

	Provided		**Unprovided**	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
THE GROUP				
Tax effect of timing differences because of:				
Tax losses	**–**	–	**211**	455
Excess of tax allowances over depreciation	**50**	–	**(57)**	(20)
Other timing differences	**(193)**	–	**–**	(56)
	(143)	–	**154**	379

The amount of the deferred tax credit (charge) for the year are as follows:

	Provided		**Unprovided**	
	2002	2001	**2002**	2001
	US$'000	*US$'000*	***US$'000***	*US$'000*
THE GROUP				
Tax effect of timing differences because of:				
Tax losses arising	**–**	–	**(244)**	308
Excess of tax allowances over depreciation	**50**	–	**(37)**	(2)
Other timing differences	**(193)**	–	**56**	(150)
	(143)	–	**(225)**	156

The potential deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will crystallise in the foreseeable future.

32. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	US$'000	*US$'000*
Profit before taxation	**198**	1,186
Interest income	**(144)**	(390)
Interest expenses on bank borrowings	**1,518**	2,422
Interest expenses on other borrowings	**48**	42
Interest expenses on convertible bonds	**76**	–
Net loss on disposal of property, plant and equipment	**47**	76
Gain on disposal of partial interest in a subsidiary	**–**	(578)
Loss on disposal of a subsidiary	**31**	–
Amortisation of development costs	**1,652**	1,631
Amortisation of technical know-how	**386**	386
Amortisation of trademark	**1**	–
Amortisation of goodwill	**11**	–
Depreciation of property, plant and equipment	**1,485**	2,116
Decrease in inventories	**5,432**	2,692
Increase in trade and other receivables	**(1,683)**	(1,911)
Decrease in trade and other payables	**(5,558)**	(3,720)
Decrease in bills payable	**(1,139)**	(22)
Net cash inflow from operating activities	**2,361**	3,930

33. ACQUISITION OF A SUBSIDIARY

During the year the Group acquired 90% of the issued share capital of Pro Team Computer Corporation for a consideration of US$2,654,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was US$218,000. The profit after taxation of Pro Team Computer Corporation included in the consolidated income statement for the year ended 30 June 2002 amounted to US$22,000.

	2002	2001
	US$'000	*US$'000*
NET ASSETS ACQUIRED		
Property, plant and equipment	**2,438**	–
Inventories	**2,063**	–
Trade and other receivables	**4,385**	–
Pledged bank deposits	**1,974**	–
Bank balances and cash	**1,131**	–
Trade and other payables	**(661)**	–
Bills payable	**(1,983)**	–
Bank borrowings	**(6,628)**	–
Taxation	**(14)**	–
Minority interests	**(269)**	–
	2,436	–
Goodwill	**218**	–
	2,654	–
SATISFIED BY		
Cash	**2,654**	–

Net cash outflow arising on acquisition:

	2002	2001
	US$'000	*US$'000*
Cash consideration	**(2,654)**	–
Bank balances and cash acquired	**1,131**	–
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	**1,523**	–

The subsidiary acquired during the year contributed US$83,000 to the Group's net operating cash flows, paid US$125,000 in respect of the net returns on investments and servicing of finance, paid US$18,000 in respect of taxation, returned US$88,000 for investing activities and raised US$431,000 in respect of financing activities.

33. ACQUISITION OF A SUBSIDIARY *(continued)*

The subsidiary acquired during the year contributed US$10,041,000 to the Group's turnover, and US$214,000 to the Group's profit from operations.

34. DISPOSAL OF A SUBSIDIARY

	2002	2001
	US$'000	*US$'000*
NET ASSETS DISPOSED OF		
Property, plant and equipment	**43**	–
Inventories	**715**	–
Trade and other receivables	**681**	–
Bank balances and cash	**132**	–
Trade and other payables	**(299)**	–
Bank borrowings	**(1,263)**	–
	9	–
Attributable goodwill	**33**	–
	42	–
Loss on disposal	**(31)**	–
Total consideration	**11**	–
Satisfied by:		
Cash	**11**	–
Net cash outflow arising on disposal:		
Cash consideration	**11**	–
Bank balances and cash disposed of	**(132)**	–
	(121)	–

The subsidiary sold during the year contributed US$1,118,000 cash outflow to the Group's net operating cash flows, received US$3,000 in respect of the net returns on investment and servicing of finance, returned US$37,000 for investing activities and raised US$496,000 in respect of financing activities.

The subsidiary disposed of during the year contributed US$1,994,000 (2001: US$nil) to the Group's turnover and loss of US$46,000 (2001: US$nil) to the Group's profit from operations.

35. ANALYSIS OF CHANGES IN FINANCING

	Share capital and share premium US$'000	Bank borrowings US$'000	Other borrowings US$'000	Convertible bonds US$'000	Minority interest US$'000
Balance at 1 July 2000	31,142	5,311	420	–	–
Cash outflow in connection with shares repurchased	(137)	–	–	–	–
Exchange differences	–	–	(31)	–	–
New bank loans raised	–	3,010	–	–	–
Repayment during the year	–	(5,311)	(327)	–	–
Arising from disposal of partial interest in a subsidiary	–	–	–	–	(564)
Balance at 30 June 2001	31,005	3,010	62	–	(564)
Proceeds from issue of convertible bonds	–	–	–	3,000	–
New loans raised	–	17,026	1,114	–	–
Repayment during the year	–	(183)	(67)	–	–
Acquisition of subsidiary	–	6,628	–	–	269
Disposal of subsidiary	–	(1,263)	–	–	–
Minority share of result for the year	–	–	–	–	(248)
Contribution from minority shareholder of a subsidiary	–	–	–	–	655
Exchange differences	–	316	5	–	(58)
Balance at 30 June 2002	**31,005**	**25,534**	**1,114**	**3,000**	**54**

36. PLEDGE OF ASSETS

In addition to the freehold land and buildings and pledged bank deposits as disclosed in notes 12 and 22, the Group has also pledged all assets of certain subsidiaries as floating charges to banks and credit institutions for facilities of US$33,366,000 (2001: US$20,266,000) granted to the Group at 30 June 2002. The total facilities utilised by the Group as at 30 June 2002 amounted to US$11,812,000 (2001: US$10,017,000). Details of the assets that have been pledged to banks are as follows:

	2002	2001
	US$'000	*US$'000*
Property, plant and equipment	**146**	327
Inventories	**5,432**	9,147
Trade and other receivables	**17,661**	18,185
Bank balances and cash	**1,258**	1,631
	24,497	29,290

37. OPERATING LEASE ARRANGEMENTS

The Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	THE GROUP	
	2002	2001
	US$'000	*US$'000*
Within one year	**546**	1,206
Later than one year and not later than five years	**879**	1,283
Later than five years	**658**	840
	2,083	3,329

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. Leases are negotiated for terms ranging from one to twelve years and rentals are fixed for an average of three years.

38. CAPITAL COMMITMENTS

At 30 June 2002, the Group had capital commitments amounting to US$Nil (2001: US$14,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

39. OTHER COMMITMENTS

At 30 June, 2002, the Group had outstanding forward currency purchase contracts of US$1,400,000 (2001: US$2,000,000).

40. CONTINGENT LIABILITIES

THE GROUP

At 30 June 2002, the Group had bills discounted with recourse amounting to US$147,000 (2001: US$300,000).

THE COMPANY

At 30 June 2002, the Company had executed certain unlimited guarantees and corporate guarantees amounting to approximately US$45,860,000 (2001: US$30,510,000) to secure for the general banking facilities granted to its subsidiaries. The total amount of facilities utilised by the subsidiaries as at 30 June 2002 amounted to approximately US$29,706,000 (2001: US$16,451,000).

41. RETIREMENT BENEFITS SCHEMES

During the year, the Group operated defined contribution retirement benefits schemes ("Defined Contribution Schemes") in various countries outside Hong Kong for all qualifying employees. Prior to 1 December 2000, the Group also operated a defined contribution scheme for its qualifying employees in Hong Kong. The assets of these Defined Contribution Schemes are held separately from those of the Group in funds under the control of independent trustees.

Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With effective from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees.

Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefits scheme contribution in respect of the Defined Contribution Schemes and the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

41. RETIREMENT BENEFITS SCHEMES *(continued)*

The details of retirement benefits contributions for the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group are as follows:

	2002	2001
	US$'000	*US$'000*
Gross retirement benefits scheme contributions	**113**	124
Less: Forfeited contributions for the year	**(87)**	(8)
Net retirement benefits scheme contributions	**26**	116

At the balance sheet date, the Group had no significant forfeited contributions available to reduce the contributions payable by the Group in the future years.

42. RELATED PARTY TRANSACTIONS

(a) At 30 June 2002, the directors, Messrs. Chiu Hang Tai and Ong Se Mon had outstanding personal guarantee given in favour of a bank to secure general banking facilities granted to the Group amounting to US$4,000,000. The facilities utilized at 30 June 2002 amounted to US$4,000,000.

(b) At 30 June 2002, Mr. Chiu Hang Chin, Samson, had assigned his life insurance policy in the face amount of not less than US$2,000,000 to a bank to secure general banking facilities granted to the Group amounting to US$10,000,000. The facilities utilized at 30 June 2002 amounted to US$6,216,000.

(c) Pursuant to a sale and purchase agreement entered into between Pan Eagle Limited ("Pan Eagle"), a wholly-owned subsidiary of the Company, and Mr. Ong on 21 May 2001, Mr. Ong agreed to acquire and Pan Eagle agreed to dispose of 45% equity interest in Pine Taiwan, a subsidiary of the Company incorporated in Republic of China, for a consideration of NT449,999 (equivalent to US$14,000). The consideration is mutually agreed by both parties and determined by the par value of the 45% share capital of Pine Taiwan acquired by Mr. Ong.

The transaction was completed upon obtaining the approval from the relevant authorities in the Republic of China on 21 June 2001.

43. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2002 were as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital %	Principal activities
Dongguan Pan Eagle Electronic Limited (東莞業榮電子有限公司)	PRC	HK$6,800,000*	100	Manufacturing of computer hardware
E23 Inc.	Samoa/PRC	US$10,000	100	Wholesaling and distribution of computer components
Eagle Technology Inc.	Samoa	US$1	100	Investment holding
Eastcom, Inc. (Alternate names: Pine Technology Inc. and Samtack USA Inc.)	United States of America	US$1,000	100	Wholesaling and distribution of computer components
Gold View Group Limited	Samoa	US$10	100	Investment holding
i.Concept Inc.	Samoa	US$1	100	Investment holding
Pan Eagle Limited	British Virgin Islands	US$100	100	Investment holding
Pine Global Limited	Samoa/PRC	US$10,000	100	Wholesaling and distribution of computer components
Pine Group Hong Kong Limited	Hong Kong	HK$2	100	Investment holding
Pine Group Limited	British Virgin Islands	US$10,000 Common Shares US$2,995,729 Class A shares	100	Investment holding
Pine Group (North America) Limited	United Kingdom	GBP100	100	Investment holding
Pine Group UK Limited	United Kingdom	GBP35,100	100	Investment holding

43. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital %	Principal activities
Pine Laboratory Korea Inc.	South Korea	WON270,000,000	100	Research and development of electronics and computer digital audio device
Pine Net Korea Limited	South Korea	WON100,000,000	100	Inactive
Pine Technology Australia Pty Ltd	Australia	AUD1	100	Investment holding
Pine Technology and Components Limited	United Kingdom	GBP100	100	Investment holding
Pine Technology Korea Ltd	South Korea	WON50,000,000	100	Sales and distribution of computer hardware
Pine Technology Limited	Hong Kong	HK$3	100	Trading of computer components
Pine Technology Netherlands B.V.	Netherlands	EUR18,200	100	Wholesaling and distribution of computer components
Pine Technology Pte. Limited	Republic of Singapore	SGD543,602	100	Wholesaling and trading of computer components
Pine Technology (BVI) Limited	British Virgin Islands	US$10,000	100	Investment holding
Pineview Industries Limited	United Kingdom	GBP100	100	Inactive
Pineview Industries Limited	Hong Kong	HK$1,000 Ordinary HK$2,400,000 Non-voting 5% deferred shares *(Note b)*	100	Provision of production and other facilities to group companies
PNS Technology Ltd	Samoa/PRC	US$10,000	100	Wholesaling and distribution of computer components
Pro Team Computer Corporation	Republic of China	NT79,300,000	90.08	Manufacturing, wholesaling and distribution of computer components

43. PARTICULARS OF SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital %	Principal activities
Quality Eagle Limited	Samoa	US$1	100	Investment holding
Quality Eagle Technology Dongguan Ltd (品嘉電子(東莞)有限公司)	PRC	HK$14,993,898*	100	Manufacturing of electronics and computer digital audio device
Samtack Computer Inc.	Canada	CAD5 Common shares CAD2,041,250 Class A shares	100	Wholesaling and distribution of computer components
Samtack Computers Limited	United Kingdom	US$100	100	Inactive
Samtack Computers USA Inc.	United States of America	US$10,000	100	Inactive
Westcom Technology Limited	United Kingdom	GBP50,000	100	Wholesaling and distribution of computer components
松景科技有限公司	Republic of China	NT51,000,000	55.4277	Wholesaling and distribution of computer components and international purchasing function

Notes:

(a) The Company directly holds the entire interest in Pine Technology (BVI) Limited. The interests of all other companies are indirectly held by the Company.

(b) There is HK$1,800,000 in the deferred shares of the company which are not held by the Group. The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the company only after the distribution of HK$1,000 million, as specified in the Articles of Association, to holders of ordinary shares.

None of the subsidiaries had any loan capital outstanding at 30 June 2002 or at any time during the year.

	Year ended 30 June				
	1998	1999	2000	2001	**2002**
	US$'000	*US$'000*	*US$'000*	*US$'000*	***US$'000***
Turnover	199,126	248,846	316,788	297,434	**238,259**
Cost of sales	(182,619)	(229,612)	(285,842)	(271,285)	**(217,086)**
Gross profit	16,507	19,234	30,946	26,149	**21,173**
Other revenue	923	1,461	1,391	633	**803**
Selling and distribution expenses	(5,849)	(5,918)	(5,732)	(6,211)	**(4,021)**
General and administrative expenses	(7,487)	(8,647)	(13,773)	(17,499)	**(16,084)**
Profit from operations	4,094	6,130	12,832	3,072	**1,871**
Loss on disposal of a subsidiary	–	–	–	–	**(31)**
Gain on disposal of partial interest in a subsidiary	–	–	–	578	**–**
Finance costs	(1,384)	(1,337)	(1,886)	(2,464)	**(1,642)**
Profit before taxation	2,710	4,793	10,946	1,186	**198**
Taxation	(607)	(684)	(941)	(255)	**(43)**
Profit before minority interests	2,103	4,109	10,005	931	**155**
Minority interests	20	56	–	–	**248**
Net profit for the year	2,123	4,165	10,005	931	**403**

	As at 30 June			
	1999	2000	2001	**2002**
	US$'000	*US$'000* (Restated)	*US$'000*	***US$'000***
ASSETS AND LIABILITIES				
Total assets	48,393	95,070	91,006	**104,671**
Total liabilities	(37,663)	(48,207)	(45,718)	**(56,141)**
Minority interests	–	–	564	**(54)**
Shareholders' funds	10,730	46,863	45,852	**48,476**

Notes:

1. The Company was incorporated in Bermuda on 14 September 1999 and became the holding company of the Group with effect from 9 November 1999 as a result of the Group Reorganisation as set out in the Company's prospectus dated 16 November 1999. Accordingly, the earliest available consolidated balance sheet prepared by the Group is for the year ended 30 June 2000.

2. The results of the Group for each of the two years ended 30 June 1998 and 1999 and the balance sheet as at 30 June 1999 have been prepared on a combined basis as if the current group structure had been in existence throughout the years concerned and have been extracted from the Company's prospectus dated 16 November 1999.

3. The assets and liabilities for the Group at 30 June 2000 have been restated to reflect the Group's current accounting policy regarding the treatment of dividend.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of PINE TECHNOLOGY HOLDINGS LIMITED (the "Company") will be held at Room 1013, 10th Floor, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong on Monday, 16 December 2002 at 2:30 p.m. for the following purposes:—

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 30 June 2002.

2. To re-elect the retiring director and to authorise the board (the "Board") of directors of the Company (the "Directors") to fix the Directors' remuneration.

3. To re-appoint auditors and to authorise the Board to fix their remuneration.

4. As special business, to consider and if thought fit, pass the following resolutions as Ordinary Resolutions:—

A. "THAT

(a) subject to paragraph A(b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;

(b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph A(a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the approval pursuant to paragraph A(a) shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

B. "THAT

(a) subject to paragraph B(b) below, a general mandate be and is hereby unconditionally given to the Directors to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue and deal with the new shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make and grant offers, agreements and options which would or might require the exercise of such powers, whether during the continuance of the Relevant Period or thereafter;

(b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted or dealt with pursuant to the approval in paragraph B(a) above during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly:—

(i) a rights issue where shares are offered for a period fixed by the Directors to shareholders on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, or in any territory applicable to the Company);

(ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company;

(iii) any scrip dividend scheme or similar arrangement implemented in accordance with the bye-laws of the Company; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

C. **"THAT** conditional upon Resolutions 4A and 4B being passed, the general mandate granted to the Directors pursuant to Resolution 4B to exercise the powers of the Company to allot shares in the capital of the Company be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4A, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution."

On behalf of the Board
Chiu Hang Tai
Chairman

Hong Kong, 20 September 2002

Head Office:
Rooms 1013, 10th Floor
China Merchants Tower
Shun Tak Center
168-200 Connaught Road Central
Hong Kong

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the Company's branch share registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Center, 111 Connaught Road Central, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.

(2) The register of members of the Company will be closed from Wednesday, 11 December 2002 to Monday, 16 December 2002, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Center, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 10 December 2002.

(3) A circular containing further details regarding Resolution no.4 as required by the GEM Listing Rules will be despatched to shareholders together with 2002 Annual Report.