



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

03

ANNUAL REPORT 2003 年報

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

香港聯合交易所有限公司（「聯交所」）創業板市場（「創業板」）之特點

成立創業板之目的在於吸納可能涉及高風險之公司，尤其是可能並無溢利紀錄或毋須作出未來溢利預測之公司。此外，在創業板上市之公司由於仍屬發展階段，或者所經營業務或地區可能涉及風險，有意投資者須留意投資該等公司之潛在風險，且應仔細審慎考慮後方可作出投資決定。創業板具有較高風險及其他特點，較適合專業及其他資深投資者參與。

基於在創業板上市之公司仍屬發展階段，因此在創業板所買賣證券之市場波動幅度或會較聯交所主板市場之證券為大，且不保證創業板之證券有高度流通之市場。

發放創業板訊息之主要途徑為聯交所管理之網站。上市公司一般毋須在憲報認可之報章刊登公佈，因此有意投資者請留意須在創業板網站查閱創業板上市公司之最新資料。

CONTENTS

ANNUAL REPORT 2003

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
CORPORATE PROFILE	3
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	7
MANAGEMENT PROFILE	10
DIRECTORS' REPORT	12
AUDITORS' REPORT	21
CONSOLIDATED INCOME STATEMENT	22
CONSOLIDATED BALANCE SHEET	23
BALANCE SHEET	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	25
CONSOLIDATED CASH FLOW STATEMENT	26
NOTES TO THE FINANCIAL STATEMENTS	28
FINANCIAL SUMMARY	71
NOTICE OF ANNUAL GENERAL MEETING	73

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai *Chairman*
Mr. Chiu Hang Chin, Samson *Vice Chairman*
Mr. Ong Se Mon *Vice Chairman*
(Resigned on 16 January 2003)
Ms. Ng Yuk Chun
(Resigned on 4 November 2002)

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

Mr. Chiu Hang Chin, Samson
(Appointed on 4 November 2002)
Ms. Ng Yuk Chun, CPA (Aust.), AHKSA
(Resigned on 4 November 2002)

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVE

Mr. Chiu Hang Chin, Samson
(Appointed on 4 November 2002)
Ms. Ng Yuk Chun
(Resigned on 4 November 2002)
Mr. Leung Yiu Ming

QUALIFIED ACCOUNTANT

Mr. Leung Yiu Ming

AUDIT COMMITTEE

Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen
(Appointed on 13 September 2002)
Mr. Lo Wai Hung
(Resigned 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 HM11
Bermuda

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

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

PINE Technology Holdings Limited (“PINE” or “the Group”) is one of the world’s leading companies in the design, manufacturing and distribution of PC based products. It has two core business divisions - the XFX division which is focus and specialise in the design and manufacturing of Video Graphic products and Motherboard for the PC and PC upgrade use under the XFX brand; and the Distribution division which distributes a wide range of PC peripherals and accessories of many world class manufacturers through the Company’s extensive global distribution network.

The Group’s strategy is to continue its success of leveraging on the strong product position of its Video Graphic line to uplift its customers profile from the medium small to the top local and regional distributors, system builders and retailers of the major markets together with the continuous marketing of its already well received “gaming” image of the XFX brand. In the year of 2002-2003, PINE has successfully added Walmart, Ingram Micro Europe, TCL and etc to its base of customers. On the Distribution division, it will continue the defensive mode by the continuous streamlining of its product line and operation to improve its cost and speed efficiency and at the same time the offensive strategy in the further growing of its Mass Merchant customer base as a mean to exploit the fast growing upgrade market of the industry.

The Group is headquarter in the Hong Kong Special Administrative Region (Hong Kong SAR) and state-of-the-art manufacturing facilities in mainland China. PINE maintains its research facilities in Asia , as well as a global distribution and service network in USA, Canada, Europe, Asia and China.

Founded in 1989, PINE had revenue reached US\$ 227 million in financial year of 2003. It has been listed on the GEM board of the Hong Kong Stock Exchange (HKGEM: 8013) in 1999.



2002-2003 remained challenging and difficult to PINE as global and local economic atmosphere is still at the low side and the continued deflation has aggravated the investment and spending in information technology. Despite the fact that the market has become more conservative, the Group's restructure of the business focus on core products and cost control has brought positive effects to its financial performance and brought PINE onto a positive track.

FINANCIAL HIGHLIGHTS

In the financial year ended 30 June 2003, PINE achieved total revenue amounted approximately US\$227 million and after tax net loss at US\$887,000. This was a result of the unsatisfactory performance in the first quarter in which a net loss of US\$2,039,000 was reported as a result of the transitional impact of a series of reforms conducted then. These reforms of the past 12 months has come to an effect as it laid solid foundation to put the Group on the right path towards profitability and stability.

As a result, the overall gross margin after the first quarter was stabilized at around 8.8 per cent, which put the net profit of the following 3 consecutive quarters on a positive path. These exercises had also build into our management system a more conscious and disciplined financial control system. With such, cash on hand was maintained at US\$11,521,000 and debt to equity ratio at approximately 82%.

BUSINESS REVIEW

Distribution division achieved a solid contribution to the revenue at US\$119 million. The greatest achievement this year was in the overall business streamlining. An overhaul exercise was conducted to eliminate non-core and low margin product lines, which had improved distribution efficiency and made the business more manageable. At the same time, Dlink's high quality full range of Networking gears was included into our product portfolio which helped us to tap into the growing sectors, especially, the wireless networking field.

We achieved much break-through in the development of our own branded business as well. Last year, the group had strategically shifted focus away from multi-product development and marketing to a single and centered video graphic line. The revenue of the XFX product family had grown 19 per cent from US\$91 million to US\$108 million as compared with 2002.

Innovative R&D and effective marketing has played a critical role in differentiating and making the XFX product line unique and distinctive. Our products continued to win international momentum and awards last year. We were encouraged to see the XFX GeForce 4 Ti4200 Turbo receiving Gamers Hell Editor Choice Award, which stated, "if you are looking for a fast card that can go faster, this is what you should go for..." Moreover, our latest XFX creative packaging concept also received the Best Gift Box Award from the IT-reputed Tom's Hardware Germany. Even in China, we won the Editors Choice Award of the IT Door.net and the Recommended Award of PC Olive. All these recognitions expedited our penetration into the fast growing China market, which is the next target market to access.

With innovative products, raised profile, brand equity, market recognition in its services quality and reliability, we were able to attract and retain high-tier customers, such as Walmart in the US, who is a valuable customer and an important channel to allow us speed up expansions into the massive upgrade market and secure stable profitability.

Besides, it has always been a continuous effort of the Board to ensure the company is running in a cost effective and optimized mode to uplift our competitive edge. Further utilizing of our establishments and resources in China, the R&D center located in Korea was moved to China to reduce work processes and to eliminate duplication. We enjoyed both improved cost and manufacturing efficiency as a result. Riding on the physical proximity with both the product marketing team and the manufacturing base, it had shortened the product development cycle and had greatly improved time to market.

BUSINESS OUTLOOK

It is our objective to put stability, predictability and profitability back into our business model and management disciplines. Our strategic reforms are working well as we are enjoying revenue growth. We will proceed with the overhauling reform as planned, which is proved to be effective in cost control and revenue boost. Way forward, we are confident that the reforms will;

- Create a streamlined yet dynamic operation platform to uplift our management system and operation processes as well as to improve cost effectiveness;
- Provide competitive advantage to both product development and manufacturing with improved time-to-market and optimum production efficiency;
- Retain and attract top tier customers with a complete range of high quality innovative products, solidified market position and brand recognitions;

- Enhance the existing management culture to “unleash” , i.e., to encourage initiations from staff to be forthcoming in building in-depth knowledge and in gaining hands-on experiences.

Although there are still uncertainties with the global economic situations, we believe the worst in PINE has come to an end. With current revenue level stabilized in both our distribution arm and PINE-own-branded business, enjoying a relatively higher profit margin yet stabilizing overhead at a low level, we are confident that PINE is on the right track to profitability.

Looking forward, we expect that with the continued focus on high-margin products, our business will continue to demonstrate healthy growth of profitability. We believe that, given the strong market positions within each of our business lines, our business units are more able to weather any difficult commercial conditions.

Our colleagues are the backbone of the Group and will continue to be the source of its growth, uplifting and success. I give my sincerest thanks to all of them. I would also like to take this opportunity to extend our gratitude to our suppliers, customers, bankers and shareholders, for their continuous supports. It is our goal to deliver value and quality to our customers, and create value for our shareholders.

Chiu Hang Tai
Chairman

Hong Kong, 18 September 2003

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF GROUP ASSET

As at 30 June 2003, the group's borrowings comprised mainly short-term loans of approximately US\$36,013,000 (30 June 2002: approximately US\$30,015,000) and long-term loans of US\$2,423,000 (30 June 2002: US\$8,374,000). The aggregate borrowings were approximately US\$38,436,000 (30 June 2002: approximately US\$38,389,000) of which approximately US\$38,436,000 (30 June 2002: approximately US\$35,101,000) were partially secured by pledged bank deposits or by assets of certain subsidiaries as floating charges to banks.

As at 30 June 2003, total pledged bank deposits, pledged freehold land and buildings and all assets of certain subsidiaries as floating charges were amounted approximately US\$5,745,000, US\$2,187,000 and US\$33,477,000 respectively (30 June 2002: US\$6,085,000, US\$2,311,000 and US\$24,497,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2003, total cash on hand amounted approximately US\$11,521,000 (30 June 2002: approximately US\$11,531,000).

CAPITAL STRUCTURE

The Group's overall treasury policies are prudent, with a focus on risk management.

US\$1,000,000 being the first installment of a three years term loan of US\$4,000,000 has been repaid during the year. The 3% convertible bonds were wholly redeemed during the year.

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 principally engaged in the provision of mobile phone hardware solutions subsequently listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited as QUASAR Communication Technology Holdings Limited. The investment is partially disposed during the IPO, resulting in a gain on disposal of US\$375,000 in the first quarter of this financial year. As at 30 June 2003, the Group beneficially owned approximately 10% share in QUASAR Communication Technology Holdings Limited.

A joint venture agreement was entered on 20 May 2002 with two independent third parties. The joint venture will be principally engaged in manufacture and distribution of computer related hardware. The total investment of the joint venture is approximately RMB100 million, the group will share about 42.5%.

MATERIAL ACQUISITIONS

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the year.

STAFF

As at 30 June 2003, the Group maintained similar level of staff, 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\$8.6 million for the year ended 30 June 2003 as compared with that of approximately US\$8.8 million for the preceding financial year. The decrease was resulted from the streamlining activities and reorganisation.

GEARING RATIO

As at 30 June 2003, the gearing ratio of the Group, based on total liabilities over total asset was approximately 54.55% (30 June 2002: approximately 53.64%).

EXCHANGE RISK

The Group's major foreign exchange payments arise from the import of components and materials, and repayments of foreign currency loans, that 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 2003, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

At 30 June 2003, the Group had no bills discounted with recourse. At 30 June 2002, the Group had bills discounted with recourse amounting to US\$147,000.

SEGMENT INFORMATION

GROUP BRAND PRODUCTS

With the strategic shifting of the Group's branded product strategy from multi-product to single core video-graphic product line focus, together with the subsequent full force multi-prong execution in the areas of new product's time-to-market plus its innovativeness; new channels and customers' development; the new XFX brand and the making of its gaming image – all these have helped contribute to an impressive increase of the revenue from the Group brand products by US\$17,125,000 to US\$107,768,000, a surge of 19% from previous year.

OTHER BRAND PRODUCTS

In this past year, the Group has aggressively conducted an overhaul of the revenue and profit characteristics of the whole other brand products in the purpose of optimising the efficiency and profitability of this division. As such, we have effectively eliminated some non-core and low margin products, which has contributed to a streamlining of the revenue of the other brand products by USD28,474,000 to USD119,142,000, a decrease of 19%. This overhaul has allowed the Group to effectively allocate more resources onto the major suppliers and good potential product families to uplift the value added and maximising the penetration in the market.

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai, aged 43, is the chairman of the Company and co-founder of the Group. He was also appointed as the chief executive officer of the Group in January 2003. 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 State College in the US and a master degree in Business Administration from Northeastern University in the United States. He has over fourteen 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. Chiu Hang Chin, Samson, aged 45, 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 nineteen years of experience in the PC industry. He is the brother of Mr. Chiu Hang Tai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chi Chung, aged 35, is a non-Executive Director of the Group. Mr. Li is admitted as a solicitor of the Supreme Court of Hong Kong. He is also 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 47, 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 Canada 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 Safety Patrol for 1987-89, and President of the Society of Certified Management Accountants, British Columbia, Hong Kong Branch for 1989-90.

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Leung Yiu Ming, aged 32, is the Company Secretary and Qualified Accountant of the Company. He holds a bachelor degree in commerce from the 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 one of the international accounting firms.

SENIOR MANAGEMENT

Ms Ji Yeuh-Er, aged 38, 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 44, is responsible for managing the Group's operations in Canada 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 eleven 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 38, is the vice president for sales (Graphics Division) in Europe. He has over twenty 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. Wong Man Fai, Danny, aged 42, 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 twenty 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. Eddie Memon, aged 31, is the vice president of XFX USA division. He holds a bachelor degree in management information system from San Jose State University. Eddie currently heads the team of XFX USA with sole purpose of managing the brand to reach new heights of equity of PINE Group. He joined the Group in 1997.

DIRECTORS' REPORT

PINE TECHNOLOGY HOLDINGS LIMITED

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2003, the top five suppliers of the Group together accounted for approximately 57% of the Group's total purchases of materials and components, and the largest supplier accounted for approximately 38% 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 approximately 41% of the Group's purchases of products, and the largest supplier accounted for approximately 17% of the Group's purchases of products for the year ended 30 June 2003.

For the year ended 30 June 2003, the Group's five largest customers accounted for less than 30% of the total sales of the Group.

RESULTS

The results of the Group for the year ended 30 June 2003 are set out in the consolidated income statement on page 22 of the annual report.

The directors of the Company do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired additional property, plant and equipment at a cost of approximately US\$0.6 million for business expansion.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 11 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. Chiu Hang Chin, Samson – *Vice Chairman*

Ms. Ng Yuk Chun

(resigned on 4 November 2002)

Mr. Ong Se Mon – *Vice Chairman*

(resigned on 16 January 2003)

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)

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

All 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

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.

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 2003, 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 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to GEM Listing Rule 5.40, were as follows:

(A) ORDINARY SHARES OF HK\$0.1 EACH OF THE COMPANY

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chiu Hang Tai	Held by controlled corporation (<i>note 1</i>)	161,766,000	23.69%

Notes:

- 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.

(B) SHARE OPTIONS

Name of director	Capacity	Number of share options held	Number of shares underlying
Mr. Chiu Hang Tai	Beneficial owner	3,264,000	3,264,000
Mr. Chiu Hang Chin, Samson	Beneficial owner	3,264,000	3,264,000

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at 30 June 2003. 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.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by directors in trust for the Company's subsidiaries as at 30 June 2003, no director held any interest in the securities of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 26 to the financial statements.

The Company's share option scheme (the "Old 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. A summary of the details of share options granted under the Old Scheme 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 2002	Lapsed	Number of share options at 30 June 2003
Mr. Chiu Hang Tai	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000	-	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000	-	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000	-	1,088,000
Mr. Ong Se Mon	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,904,000	1,904,000	-
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,904,000	1,904,000	-
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,904,000	1,904,000	-
Mr. Chiu Hang Chin, Samson	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000	-	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000	-	1,088,000
	10.7.2000	28.1.2001 to 27.1.2004	1.056	1,088,000	-	1,088,000
Ms. Ng Yuk Chun	31.1.2000	28.1.2001 to 27.1.2006	1.674	300,000	300,000	-
	31.1.2000	28.1.2002 to 27.1.2007	1.674	300,000	300,000	-
	10.7.2000	28.1.2001 to 27.1.2004	1.056	300,000	300,000	-
	10.7.2000	10.7.2001 to 9.7.2004	1.240	200,000	200,000	-
Others	31.1.2000	28.1.2001 - 27.1.2006	1.674	3,546,000	2,178,000	1,368,000
	31.1.2000	28.1.2002 - 27.1.2007	1.674	3,316,000	2,012,000	1,304,000
	10.7.2000	28.1.2001 - 27.1.2004	1.056	2,854,000	1,736,000	1,118,000
	10.7.2000	10.7.2001 - 9.7.2004	1.056	1,114,000	696,000	418,000
	10.7.2000	10.7.2001 - 9.7.2005	1.056	1,138,000	738,000	400,000
	10.7.2000	10.7.2001 - 9.7.2004	1.240	11,056,000	6,542,000	4,514,000
	12.4.2001	16.5.2001 - 15.5.2006	0.335	8,100,000	4,100,000	4,000,000
	12.4.2001	1.10.2001 - 30.9.2006	0.335	2,500,000	1,400,000	1,100,000
				<u>46,964,000</u>	<u>26,214,000</u>	<u>20,750,000</u>

DIRECTORS' REPORT

PINE TECHNOLOGY HOLDINGS LIMITED

As at 30 June 2003, the number of shares in respect of which options had been granted under the Old Scheme was 20,750,000, representing 3.04% of the shares of the Company in issue at that date. The Old Scheme was terminated on 16 April 2003 but its terms remain in full force and effect in respect of the outstanding options previously granted.

The Company's new share option scheme (the "New Scheme") was adopted by the shareholders pursuant to a resolution passed on 16 April 2003 for the purpose of providing incentives to directors and eligible employees or any persons who have contributed or will contribute to the Group and, unless otherwise cancelled or amended, will expire on 15 April 2013. Details of the New Scheme are set out in note 26 to the financial statements.

During the year ended 30 June 2003, no options were granted under the New Scheme.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes 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 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chiu Kwong Chi	Held by controlled corporations (<i>Note 1</i>)	174,998,732	25.63%
Madam Wong Wai Ying	Held by controlled corporations (<i>Note 1</i>)	174,998,732	25.63%
Alliance Express Group Limited	Beneficial owner (<i>Note 2</i>)	161,766,000	23.69%
Concept Express Investments Limited	Beneficial owner (<i>Note 1</i>)	122,760,000	17.98%
Mr. Ong Se Mon	Beneficial owner and held by controlled corporation (<i>Note 3</i>)	90,804,000	13.30%
Maiden Undertaking Limited	Beneficial owner (<i>Note 3</i>)	90,486,000	13.25%
Fireball Resources Limited	Beneficial owner (<i>Note 1</i>)	52,238,732	7.65%

Notes:

- 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.
- The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.
- Mr. Ong Se Mon is interested in 90,804,000 shares of which 318,000 shares are beneficially owned and registered in the name of Mr. Ong Se Mon and 90,486,000 shares are beneficially owned and registered in the name of Maiden Undertaking Limited. 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 5% or more of the Company's issued share capital as at 30 June 2003.

CONNECTED TRANSACTIONS

The Group had entered into the following transactions for the period from 1 July 2002 to 2 April 2003 with 松景科技股份有限公司 (“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 former 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. Mr. Ong Se Mon disposed his shares in Pine Taiwan to an independent third party on 3 April 2003.

	US\$'000
Purchases from Pine Taiwan	381
Commission paid to Pine Taiwan	124

The 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' or customers' invoices handled by Pine Taiwan.

The independent non-executive directors have reviewed the above transactions and confirmed that:

- (a) the transactions have been carried out in the ordinary and usual course of its business;
- (b) the transactions have been entered into on normal commercial terms and on an arm's length basis;
- (c) the amounts of the transactions have not exceeded the prescribed limit applicable to the financial year ended 30 June 2003, as stated in the circular of the Company dated 12 February 2003, which are US\$500,000 each;
- (d) the transactions have been entered into on terms that are fair and reasonable and in the interests of the shareholders as a whole.

In addition to the above, the Group received interest income from Pine Taiwan amounting to US\$20,000. The interest income was calculated at 6.8% per annum on the borrowing amounts due from Pine Taiwan.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed above and in note 37 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 26 and 28 to the financial statements respectively, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2003.

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.

AUDIT COMMITTEE

The Audit Committee comprised the two independent non-executive directors of the Company, namely, Messrs. Li Chi Chung and So Hon Cheung, Stephen.

Up to the date of approval of these financial statements, the Audit Committee has held two meetings and has reviewed and commented on the Company's draft annual financial reports and the draft circular in respect of the connected transactions dated 12 February 2003.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 June 2003 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

DIRECTORS' REPORT

PINE
TECHNOLOGY
HOLDINGS
LIMITED

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, 18 September 2003

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 22 to 70 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 financial statements and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 and of the loss 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, 18 September 2003

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

	NOTES	2003 US\$'000	2002 US\$'000
Turnover	4	226,910	238,259
Cost of sales		<u>(209,284)</u>	<u>(217,086)</u>
Gross profit		17,626	21,173
Other operating income		1,116	803
Selling and distribution expenses		(3,792)	(4,021)
General and administrative expenses		<u>(13,329)</u>	<u>(16,084)</u>
Profit from operations	5	1,621	1,871
Loss on disposal of a subsidiary		–	(31)
Share of results of a jointly controlled entity		(52)	–
Finance costs	6	<u>(2,235)</u>	<u>(1,642)</u>
(Loss) profit before taxation		(666)	198
Taxation	9	<u>(215)</u>	<u>(43)</u>
(Loss) profit before minority interests		(881)	155
Minority interests		<u>(6)</u>	<u>248</u>
Net (loss) profit for the year		<u>(887)</u>	<u>403</u>
(Loss) earnings per share	10		
Basic (US cents)		<u>(0.13)</u>	<u>0.06</u>
Diluted (US cents)		<u>N/A</u>	<u>0.06</u>

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2003

**ANNUAL
REPORT
2003**

	NOTES	2003 US\$'000	2002 US\$'000
Non-current assets			
Property, plant and equipment	11	6,758	7,873
Development costs	12	347	912
Technical know-how	13	198	397
Trademarks	14	69	90
Investments in securities	16	3,371	4,833
Interest in a jointly controlled entity	17	5,098	5,154
Goodwill	18	196	207
		16,037	19,466
Current assets			
Inventories	19	21,602	20,671
Trade and other receivables	20	48,420	46,501
Amount due from a jointly controlled entity		72	–
Tax recoverable		145	417
Pledged bank deposits	21	5,745	6,085
Bank balances and cash		11,521	11,531
		87,505	85,205
Current liabilities			
Trade and other payables	22	16,203	14,272
Bills payable		1,524	3,322
Taxation		22	15
Bank borrowings – due within one year	23	33,821	28,901
Other borrowings	24	2,192	1,114
		53,762	47,624
Net current assets		33,743	37,581
		49,780	57,047
Capital and reserves			
Share capital	25	8,790	8,790
Share premium and reserves	27	38,217	39,686
		47,007	48,476
Minority interests		58	54
Non-current liabilities			
Bank borrowings – due after one year	23	2,423	5,374
Convertible bonds	28	–	3,000
		2,423	8,374
Deferred taxation	29	292	143
		49,780	57,047

The financial statements on pages 22 to 70 were approved and authorised for issue by the Board of Directors on 18 September 2003.

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

BALANCE SHEET

AT 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

	NOTES	2003 US\$'000	2002 US\$'000
Non-current assets			
Trademarks	14	11	11
Investments in subsidiaries	15	<u>9,087</u>	<u>9,087</u>
		9,098	9,098
Current assets			
Amounts due from subsidiaries		30,620	33,621
Pledged bank deposits	21	128	–
Bank balances		<u>203</u>	<u>329</u>
		30,951	33,950
		40,049	43,048
Capital and reserves			
Share capital	25	8,790	8,790
Share premium and reserves	27	<u>31,259</u>	<u>31,258</u>
		40,049	40,048
Non-current liability			
Convertible bonds	28	<u>–</u>	<u>3,000</u>
		40,049	43,048

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003

**ANNUAL
REPORT
2003**

	Total equity US\$'000
At 1 July 2001	45,852
Exchange differences on translation of overseas operations	191
Surplus on revaluation of investments in securities	1,997
Net gains not recognised in the income statement	2,188
Goodwill reserve released upon disposal of a subsidiary	33
Net profit for the year	403
At 30 June 2002	48,476
Exchange differences on translation of overseas operations	85
Deficit on revaluation of investments in securities	(107)
Net loss not recognised in the income statement	(22)
Investment revaluation reserve released upon disposal of investments in securities	(560)
Net loss for the year	(887)
At 30 June 2003	47,007

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

	NOTES	2003 US\$'000	(Restated) 2002 US\$'000
OPERATING ACTIVITIES			
Profit from operations		1,621	1,871
Adjustments for:			
Interest income		(107)	(144)
Dividend income		(54)	–
Net loss on disposal of property, plant and equipment		128	47
Gain on disposal of investments in securities		(375)	–
Allowances for doubtful debts		825	–
Allowances for slow moving inventories		564	121
Amortisation of development costs		970	1,652
Amortisation of technical know-how		199	386
Amortisation of trademarks		29	1
Amortisation of goodwill		11	11
Depreciation of property, plant and equipment		1,422	1,485
Operating cash flow before movements in working capital		5,233	5,430
(Increase) decrease in inventories		(1,024)	5,311
Increase in trade and other receivables		(1,526)	(1,683)
Increase in amount due from a jointly controlled entity		(72)	–
Increase (decrease) in trade and other payables		1,004	(5,558)
Decrease in bills payable		(1,747)	(1,139)
Cash generated from operations		1,868	2,361
Interest paid on bank borrowings		(1,676)	(1,518)
Interest paid on other borrowings		(287)	(48)
Interest paid on convertible bonds		(272)	(76)
Hong Kong Profits Tax paid		–	(20)
Overseas tax refunded (paid)		231	(291)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(136)	408
INVESTING ACTIVITIES			
Interest received		107	144
Dividends received from investments in securities		54	–
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	30	–	(1,523)
Investment in a jointly controlled entity		–	(5,154)
Proceeds from disposal of property, plant and equipment		67	85
Proceeds from disposal of a subsidiary (net of cash and cash equivalents disposed of)	31	–	(121)
Proceeds from disposal of investment in securities		1,170	–
Purchase of property, plant and equipment		(568)	(777)
Development expenditure incurred		(412)	(863)
Acquisition of trademarks		(3)	(8)
Decrease (increase) in pledged bank deposits		283	(1,189)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		698	(9,406)

Consolidated Cash Flow Statement

**ANNUAL
REPORT
2003**

	2003 US\$'000	(Restated) 2002 US\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	6,534	5,188
Other borrowings raised	835	1,114
Redemption of convertible bonds	(3,000)	–
Repayment of bank borrowings	(4,649)	(183)
Repayment of other borrowings	–	(67)
Contribution from minority shareholder of a subsidiary	–	655
Proceeds from issue of convertible bonds	–	3,000
	(280)	9,707
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	282	709
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11,130	10,316
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	109	105
	11,521	11,130
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as previously reported	–	2,790
Effect of reclassification of short-term bank borrowings	–	8,340
	11,521	11,130
Cash and cash equivalents as restated		
Being:		
Bank balances and cash	11,521	11,531
Bank overdrafts	–	(401)
	11,521	11,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

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 38.

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, the adoption of these SSAPs has resulted in a change in the format of presentation of cash flow statement and the introduction of the statement of changes in equity.

The adoption of these new and revised SSAPs has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

FOREIGN CURRENCIES

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries, jointly controlled entities and operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

CASH FLOW STATEMENTS

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows for interest paid and investing cash flows for interest received and dividends received. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

EMPLOYEE BENEFITS

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

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 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.

On disposal of a subsidiary, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEGATIVE GOODWILL (Continued)

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.

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 are 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 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Transactions in currencies other than United States dollars are translated into United States dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than United States dollars are re-translated into United States dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into United States dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated into United States dollars at the average rates for the period. Exchange differences arising if any, are classified as equity and transferred to the Group's exchange reserve. Such exchange differences are recognised as income or as expenses in the period in which the operation is disposed of.

RETIREMENT BENEFIT SCHEME CONTRIBUTION

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)

Segment information about these businesses is presented below:

2003

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
REVENUE			
External sales	107,768	119,142	226,910
RESULT			
Segment result	2,259	434	2,693
Unallocated other revenue			482
Unallocated corporate expenses			(1,554)
Profit from operations			1,621
Share of results of a jointly controlled entity		(52)	(52)
Finance costs			(2,235)
Loss before taxation			(666)
Taxation			(215)
Loss before minority interests			(881)
Minority interests			(6)
Net loss for the year			(887)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

4. TURNOVER AND SEGMENTS INFORMATION (Continued)

BALANCE SHEET

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
ASSETS			
Segment assets	64,330	29,419	93,749
Interest in a jointly controlled entity		5,098	5,098
Unallocated corporate assets			4,695
			<hr/>
Consolidated total assets			103,542
			<hr/>
LIABILITIES			
Segment liabilities	10,548	7,179	17,727
Unallocated corporate liabilities			38,750
			<hr/>
Consolidated total liabilities			56,477
			<hr/>

OTHER INFORMATION

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
Capital expenditure	921	62	983
Depreciation and amortisation	2,370	261	2,631
	<hr/>	<hr/>	<hr/>

4. TURNOVER AND SEGMENTS INFORMATION (Continued)

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 result	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

4. TURNOVER AND SEGMENTS INFORMATION (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
Interest in a jointly controlled entity		5,154	5,154
Unallocated corporate assets			<u>6,798</u>
Consolidated total assets			<u>104,671</u>
LIABILITIES			
Segment liabilities	12,067	5,527	17,594
Unallocated corporate liabilities			<u>38,547</u>
Consolidated total liabilities			<u>56,141</u>
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	<u>3,230</u>	<u>305</u>	<u>3,535</u>

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	
	2003 US\$'000	2002 US\$'000
North America	140,660	149,900
Europe	42,950	22,516
Asia	38,240	57,365
Others	5,060	8,478
	226,910	238,259

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	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
North America	28,616	22,473	36	23
Europe	6,335	6,679	37	207
Asia	67,546	73,514	910	3,856
Others	1,045	2,005	–	–
	103,542	104,671	983	4,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

5. PROFIT FROM OPERATIONS

	2003 US\$'000	2002 US\$'000
Profit from operations has been arrived at after charging:		
Allowances for doubtful debts	825	–
Allowances for slow moving inventories	564	121
Auditors' remuneration	237	173
Amortisation of development costs	970	1,652
Amortisation of technical know-how	199	386
Amortisation of trademarks	29	1
Amortisation of goodwill	11	11
Research and development costs charged for the year	451	1,107
Depreciation of property, plant and equipment	1,422	1,485
Staff costs including directors' remuneration	8,591	8,809
Operating lease rentals in respect of land and buildings	601	929
Exchange loss	28	–
Loss on disposal of property, plant and equipment	128	47

and after crediting:

Dividend income from listed securities	54	–
Exchange gain	–	168
Gain on disposal of investments in securities	375	–
Interest income	107	144

6. FINANCE COSTS

	2003 US\$'000	2002 US\$'000
Interest on bank borrowings wholly repayable within five years	(1,564)	(1,518)
Interest on bank borrowings wholly repayable over five years	(112)	–
Interest on other borrowings wholly repayable within five years	(287)	(48)
Interest on convertible bonds	(272)	(76)
	(2,235)	(1,642)

7. DIRECTORS' REMUNERATION

	2003 US\$'000	2002 US\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	<u>31</u>	<u>32</u>
	<u>31</u>	<u>32</u>
Other emoluments to executive directors:		
Basic salaries and other benefits	<u>401</u>	622
Retirement benefits scheme contributions	<u>3</u>	<u>17</u>
	<u>404</u>	<u>639</u>
	<u>435</u>	<u>671</u>

The emoluments of the directors were within the following bands:

	2003 Number of directors	2002 Number of directors
US\$Nil to US\$129,000	<u>6</u>	4
US\$129,001 to US\$193,000	<u>1</u>	1
US\$258,000 to US\$322,000	<u>–</u>	<u>1</u>

The executive directors received individual emoluments for the year ended 30 June 2003 of approximately US\$85,000 (2002: US\$268,000), US\$154,000 (2002: US\$160,000), US\$117,000 (2002: US\$117,000) and US\$48,000 (2002: US\$94,000).

The independent non-executive directors received director's fee for the year ended 30 June 2003 of approximately US\$16,000 (2002: US\$16,000), US\$3,000 (2002: US\$16,000) and US\$12,000 (2002: US\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included two (2002: four) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining three (2002: one) individuals are as follows:

	2003	2002
	US\$'000	US\$'000
Basic salaries and other benefits	286	98
Retirement benefits scheme contributions	—	—
	286	98

The aggregate emoluments of each of the employees are within the band of US\$Nil to US\$129,000 (2002: US\$Nil to US\$129,000).

During each of the two years ended 30 June 2003, 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 2003.

9. TAXATION

	2003 US\$'000	2002 US\$'000
The charge comprises:		
Hong Kong Profits Tax	–	(1)
Taxation arising in other jurisdictions	(91)	(108)
(Under)overprovision in prior year		
– Hong Kong	–	(19)
– Other jurisdictions	(3)	228
Deferred taxation	(117)	(143)
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	(211)	(43)
Share of taxation attributable to a jointly controlled entity	(4)	–
	<hr/>	<hr/>
	(215)	(43)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year.

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the prior 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 Dongguan 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 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

10. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the year of US\$887,000 (2002: profit of US\$403,000) and on the number of ordinary shares issued of 682,786,000 (2002: 682,786,000).

No diluted loss per share is presented for the year ended 30 June 2003 as the exercise of the Company's convertible bonds prior to redemption would result in a decrease in net loss per share.

The diluted earnings per share for the year ended 30 June 2002 is computed as follows:

	US\$'000
Earnings for the purpose of basis earnings per share	403
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds	76
	<hr/>
Earnings for the purpose of calculating diluted earnings per share	479
	<hr/>
	Number of shares
Number of ordinary shares for the purpose of basic earnings per share	682,786,000
Effect of dilutive potential ordinary shares:	
Convertible bonds	109,808,893
	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	792,594,893
	<hr/>

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

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings outside Hong Kong	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Computer equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP							
COST							
At 1 July 2002	2,341	3,937	4,175	214	1,187	1,529	13,383
Exchange adjustments	(75)	15	31	2	3	29	5
Additions	–	41	322	39	132	34	568
Disposals	–	(168)	(135)	(129)	(187)	(56)	(675)
At 30 June 2003	2,266	3,825	4,393	126	1,135	1,536	13,281
DEPRECIATION							
At 1 July 2002	30	1,875	2,093	122	726	664	5,510
Exchange adjustments	(3)	17	26	1	7	23	71
Provided for the year	52	380	550	20	195	225	1,422
Eliminated on disposals	–	(168)	(79)	(45)	(151)	(37)	(480)
At 30 June 2003	79	2,104	2,590	98	777	875	6,523
NET BOOK VALUES							
At 30 June 2003	2,187	1,721	1,803	28	358	661	6,758
At 30 June 2002	2,311	2,062	2,082	92	461	865	7,873

The Group has pledged the freehold land and buildings having a net book value of approximately US\$2,187,000 (2002: US\$2,311,000) to secure general banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

12. DEVELOPMENT COSTS

US\$'000

THE GROUP

COST

At 1 July 2002	5,988
Exchange adjustments	(14)
Additions	412
	<hr/>
At 30 June 2003	6,386
	<hr/>

AMORTISATION

At 1 July 2002	5,076
Exchange adjustments	(7)
Provided for the year	970
	<hr/>
At 30 June 2003	6,039
	<hr/>

NET BOOK VALUES

At 30 June 2003	347
	<hr/>
At 30 June 2002	912
	<hr/>

The amortisation period adopted for development costs is two years.

13. TECHNICAL KNOW-HOW

US\$'000

THE GROUP

COST

At 1 July 2002 and 30 June 2003	1,367
	<hr/>

AMORTISATION

At 1 July 2002	970
Provided for the year	199
	<hr/>
At 30 June 2003	1,169
	<hr/>

NET BOOK VALUES

At 30 June 2003	198
	<hr/>
At 30 June 2002	397
	<hr/>

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

14. TRADEMARKS

	US\$'000
THE GROUP	
COST	
At 1 July 2002	91
Exchange adjustments	6
Addition	3
	<hr/>
At 30 June 2003	100
	<hr/>
AMORTISATION	
At 1 July 2002	1
Exchange adjustments	1
Provided for the year	29
	<hr/>
At 30 June 2003	31
	<hr/>
NET BOOK VALUES	
At 30 June 2003	69
	<hr/>
At 30 June 2002	90
	<hr/>
THE COMPANY	
COST	
At 1 July 2002 and 30 June 2003	12
	<hr/>
AMORTISATION	
At 1 July 2002	1
Provided for the year	-
	<hr/>
At 30 June 2003	1
	<hr/>
NET BOOK VALUES	
At 30 June 2003	11
	<hr/>
At 30 June 2002	11
	<hr/>

The amortisation period adopted for trademarks is twenty years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 US\$'000	2002 US\$'000
Unlisted shares	9,087	9,087

The Company's investments in the subsidiaries are 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 2003 are set out in note 38.

16. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003 US\$'000	2002 US\$'000
Other securities:		
Listed	3,371	–
Unlisted	–	4,833
	3,371	4,833

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003 US\$'000	2002 US\$'000
Share of net assets	5,098	5,154

17. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

As at 30 June 2003, 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

18. GOODWILL

	US\$'000
THE GROUP	
COST	
At 1 July 2002 and 30 June 2003	218
AMORTISATION	
At 1 July 2002	11
Provided for the year	11
At 30 June 2003	22
NET BOOK VALUES	
At 30 June 2003	196
At 30 June 2002	207

The amortisation period adopted for goodwill is twenty years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

19. INVENTORIES

	THE GROUP	
	2003 US\$'000	2002 US\$'000
Raw materials	6,121	7,127
Work in progress	2,275	1,326
Finished goods	13,206	12,218
	<u>21,602</u>	<u>20,671</u>

Included above are raw materials of US\$4,801,278 (2002: Nil) and finished goods of US\$7,681,610 (2002: US\$5,432,296) which are carried at net realisable value and no work in progress is carried at net realisable value.

20. 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	
	2003 US\$'000	2002 US\$'000
Current	26,522	23,191
1 to 30 days	4,078	6,880
31 to 60 days	695	2,560
61 to 90 days	984	2,555
Over 90 days	10,215	7,728
	<u>42,494</u>	<u>42,914</u>
Trade receivables	42,494	42,914
Deposits, prepayments and other receivables	5,926	3,587
	<u>48,420</u>	<u>46,501</u>

21. PLEDGED BANK DEPOSITS

THE GROUP AND THE COMPANY

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.

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable:

	THE GROUP	
	2003 US\$'000	2002 US\$'000
Current	7,507	6,924
1 to 30 days	1,692	2,977
31 to 60 days	1,287	855
61 to 90 days	594	340
Over 90 days	747	269
	<hr/>	<hr/>
Trade payables	11,827	11,365
Deposits in advance, accruals and other payable	4,376	2,907
	<hr/>	<hr/>
	16,203	14,272
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

23. BANK BORROWINGS

	THE GROUP	
	2003	2002
	US\$'000	US\$'000
Bank borrowings comprise the following:		
Trust receipts and import loans	16,064	16,565
Other bank loans	20,180	17,309
Bank overdrafts	–	401
	<u>36,244</u>	<u>34,275</u>
Secured	36,244	33,987
Unsecured	–	288
	<u>36,244</u>	<u>34,275</u>
The bank borrowings are repayable as follows:		
On demand or within one year	33,821	28,901
More than one year, but not exceeding two years	1,165	–
More than two years, but not exceeding five years	493	3,641
More than five years	765	1,733
	<u>36,244</u>	<u>34,275</u>
Less: amounts due within one year shown under current liabilities	<u>(33,821)</u>	<u>(28,901)</u>
Amounts due after one year	<u>2,423</u>	<u>5,374</u>

24. OTHER BORROWINGS

THE GROUP

Other borrowings are secured by certain of the Group's trade receivables amounting to US\$2,455,000 (2002: US\$2,181,000), bear interest at prevailing market rates and are repayable within one year.

25. SHARE CAPITAL

Details of the share capital of the Company were as follows:

	Number of shares	Value HK\$'000	United States dollars equivalent US\$'000
Ordinary shares of HK\$0.1 each:			
Authorised			
At 30 June 2002 and 30 June 2003	2,000,000,000	200,000	25,747
Issued and fully paid			
At 30 June 2002 and 30 June 2003	682,786,000	68,279	8,790

26. SHARE OPTIONS

The Company's share option scheme (the "Old Scheme"), which 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 Old 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 Old 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 Old Scheme.

Options granted must be taken up within 21 days from the date of grant. HK\$1 shall be paid to the Company upon acceptance of the option. Options may be exercised in accordance with the terms of the Old Scheme at any time during the period to be determined and notified by the Directors to each grantee. Such period may commence on a day after the day upon which the offer for the grant of options is made 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

26. SHARE OPTIONS (Continued)

The Old Scheme was terminated on 16 April 2003 but its terms remain in full force and effect in respect of the outstanding options previously granted.

Details of the share options granted under the Old Scheme during the two years ended 30 June 2003 to subscribe for the shares in the Company are as follows:

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of		Number of
					share options at 1 July 2001	Lapsed	share options at 30 June 2003
Directors	31.1.2000	31.1.2000-27.1.2001	28.1.2001-27.1.2006	1.674	4,380,000	2,204,000	2,176,000
	31.1.2000	31.1.2000-27.1.2002	28.1.2002-27.1.2007	1.674	4,380,000	2,204,000	2,176,000
	10.7.2000	10.7.2000-27.1.2001	28.1.2001-27.1.2004	1.056	4,380,000	2,204,000	2,176,000
	10.7.2000	10.7.2000-9.7.2001	10.7.2001-9.7.2004	1.240	200,000	200,000	-
					<u>13,340,000</u>	<u>6,812,000</u>	<u>6,528,000</u>
Others	31.1.2000	31.1.2000-27.1.2001	28.1.2001-27.1.2006	1.674	3,546,000	2,178,000	1,368,000
	31.1.2000	31.1.2000-27.1.2002	28.1.2002-27.1.2007	1.674	3,316,000	2,012,000	1,304,000
	10.7.2000	10.7.2000-27.1.2001	28.1.2001-27.1.2004	1.056	2,854,000	1,736,000	1,118,000
	10.7.2000	10.7.2000-9.7.2001	10.7.2001-9.7.2004	1.056	1,114,000	696,000	418,000
	10.7.2000	10.7.2000-9.7.2001	10.7.2001-9.7.2005	1.056	1,138,000	738,000	400,000
	10.7.2000	10.7.2000-9.7.2001	10.7.2001-9.7.2004	1.240	11,056,000	6,542,000	4,514,000
	12.4.2001	12.4.2001-15.5.2001	16.5.2001-15.5.2006	0.335	8,100,000	4,100,000	4,000,000
	12.4.2001	12.4.2001-30.9.2001	1.10.2001-30.9.2006	0.335	2,500,000	1,400,000	1,100,000
					<u>46,964,000</u>	<u>26,214,000</u>	<u>20,750,000</u>

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

26. SHARE OPTIONS (Continued)

The Company's new share option scheme (the "New Scheme"), which was adopted by the shareholders pursuant to a resolution passed on 16 April 2003 for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 15 April 2013. Under the New Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the New Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised in accordance with the terms of the New Scheme at any time during the effective period of the New Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

During the year ended 30 June 2003, no options have been granted under the New Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

27. SHARE PREMIUM AND RESERVES

	Share				Investments			Total
	premium	Surplus	Exchange	Goodwill	Capital	revaluation	Accumulated	
	account	account	reserve	reserve	reserve	reserve	profits	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP								
Balance at 1 July 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
Net profit for the year	-	-	-	-	-	-	403	403
Transferred to capital reserve	-	-	-	-	4	-	(4)	-
	<u>22,215</u>	<u>2,954</u>	<u>(192)</u>	<u>(1,611)</u>	<u>63</u>	<u>-</u>	<u>13,633</u>	<u>37,062</u>
Balance at 30 June 2002	22,215	2,954	(1)	(1,578)	67	1,997	14,032	39,686
Released upon disposal								
of investments in securities	-	-	-	-	-	(560)	-	(560)
Exchange differences								
on translation of								
overseas operations	-	-	85	-	-	-	-	85
Revaluation decrease	-	-	-	-	-	(107)	-	(107)
Net loss for the year	-	-	-	-	-	-	(887)	(887)
	<u>22,215</u>	<u>2,954</u>	<u>84</u>	<u>(1,578)</u>	<u>67</u>	<u>1,330</u>	<u>13,145</u>	<u>38,217</u>

	Share		Accumulated		Total
	premium	Contributed	Accumulated		
	account	surplus	profits		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE COMPANY					
Balance at 1 July 2001	22,215	9,035	2		31,252
Profit for the year	-	-	6		6
	<u>22,215</u>	<u>9,035</u>	<u>8</u>		<u>31,258</u>
Balance at 30 June 2002	22,215	9,035	8		31,258
Profit for the year	-	-	1		1
	<u>22,215</u>	<u>9,035</u>	<u>9</u>		<u>31,259</u>
Balance at 30 June 2003	22,215	9,035	9		31,259

27. SHARE PREMIUM AND RESERVES (Continued)

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 (2002: US\$1,000) in respect of negative goodwill. Goodwill of US\$33,000 was released to income statement in last 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.

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

	2003	2002
	US\$'000	US\$'000
Contributed surplus	9,035	9,035
Accumulated profits	9	8
	9,044	9,043

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

28. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2003	2002
	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.

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.

28. CONVERTIBLE BONDS (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

28. CONVERTIBLE BONDS (Continued)

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.

The 3% Bonds were wholly redeemed during the year.

29. DEFERRED TAXATION

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

	Provided		Unprovided	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP				
Tax effect of timing differences because of:				
Tax losses	91	–	173	211
Shortfall (excess) of tax allowances over depreciation	42	50	(24)	(57)
Other timing differences	(425)	(193)	–	–
	<u>(292)</u>	<u>(143)</u>	<u>149</u>	<u>154</u>

29. DEFERRED TAXATION (Continued)

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

	Provided		Unprovided	
	2003	2002	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP				
Tax effect of timing differences because of:				
Tax losses arising	81	–	(21)	(244)
Excess of tax allowances over depreciation	(12)	50	28	(37)
Other timing differences	(186)	(193)	–	56
Effect of change in tax rate	–	–	(12)	–
	<u>(117)</u>	<u>(143)</u>	<u>(5)</u>	<u>(225)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

30. ACQUISITION OF A SUBSIDIARY

During the year ended 30 June 2002, 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.

	2003	2002
	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 interest	–	(269)
	–	2,436
Goodwill	–	218
	–	2,654
SATISFIED BY		
Cash	–	2,654
Net cash outflow arising on acquisition:		
	2003	2002
	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 ended 30 June 2002 contributed US\$10,041,000 to the Group's turnover, and US\$214,000 to the Group's profit from operations.

31. DISPOSAL OF A SUBSIDIARY

	2003 US\$'000	2002 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)
	<u> </u>	<u> </u>
	-	9
Attributable goodwill	-	33
	<u> </u>	<u> </u>
	-	42
Loss on disposal	-	(31)
	<u> </u>	<u> </u>
Total consideration	<u> </u>	<u> </u>
	-	11
Satisfied by:		
Cash	<u> </u>	<u> </u>
	-	11
Net cash outflow arising on disposal:		
Cash consideration	-	11
Bank balances and cash disposed of	-	(132)
	<u> </u>	<u> </u>
	-	(121)
	<u> </u>	<u> </u>

The subsidiary disposed of during the year ended 30 June 2002 contributed US\$1,994,000 to the Group's turnover and loss of US\$46,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

32. PLEDGE OF ASSETS

In addition to the freehold land and buildings and pledged bank deposits as disclosed in notes 11 and 21, the Group has also pledged all assets of certain subsidiaries as floating charges to banks and credit institutions for facilities of US\$26,567,000 (2002: US\$33,366,000) granted to the Group at 30 June 2003. The total facilities utilised by the Group as at 30 June 2003 amounted to US\$22,643,000 (2002: US\$11,812,000). Details of the assets that have been pledged to banks under such floating charges are as follows:

	2003	2002
	US\$'000	US\$'000
Property, plant and equipment	226	146
Inventories	7,682	5,432
Trade and other receivables	23,563	17,661
Bank balances and cash	2,006	1,258
	33,477	24,497

33. OPERATING LEASE ARRANGEMENTS

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

	THE GROUP	
	2003	2002
	US\$'000	US\$'000
Within one year	636	546
Later than one year and not later than five years	1,250	879
Later than five years	530	658
	2,416	2,083

Leases are negotiated for terms ranging from one to twelve years and rentals are fixed for an average of three years.

34. OTHER COMMITMENTS

At 30 June, 2003, the Group has no outstanding forward currency purchase contracts. At 30 June 2002, the Group had outstanding forward currency purchase contracts of US\$1,400,000.

35. CONTINGENT LIABILITIES

THE GROUP

At 30 June 2003, the Group has no bills discounted with recourse. At 30 June 2002, the Group had bills discounted with recourse amounting to US\$147,000.

THE COMPANY

At 30 June 2003, the Company had executed certain unlimited guarantees and corporate guarantees amounting to approximately US\$43,807,000 (2002: US\$45,860,000) to secure the general banking facilities granted to its subsidiaries. The total amount of facilities utilised by the subsidiaries as at 30 June 2003 amounted to approximately US\$33,205,000 (2002: US\$29,706,000).

36. 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 effect 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

36. 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:

	2003	2002
	US\$'000	US\$'000
Gross retirement benefits scheme contributions	56	113
Less: Forfeited contributions for the year	(47)	(87)
	<hr/>	<hr/>
Net retirement benefits scheme contributions	9	26
	<hr/>	<hr/>

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.

37. RELATED PARTY TRANSACTIONS

- (a) At 30 June 2003, Mr. Chiu Hang Tai, a director of the Company, and Mr. Ong Se Mon, a shareholder of the Company, 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 (2002: US\$4,000,000). The facilities utilized at 30 June 2003 amounted to US\$3,000,000 (2002: US\$4,000,000).
- (b) At 30 June 2003, Mr. Chiu Hang Chin, Samson, a director of the Company, had assigned his life insurance policy in the face amount of not less than US\$2,000,000 (2002: US\$2,000,000) to a bank to secure general banking facilities granted to the Group amounting to US\$9,000,000 (2002: US\$10,000,000). The facilities utilized at 30 June 2003 amounted to US\$7,140,000 (2002: US\$6,216,000).
- (c) During the year, the Group sold raw materials to and received subcontracting income from the jointly controlled entity amounting to US\$854,000 (2002: Nil) and US\$424,000 (2002: Nil) respectively. The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

The amount owed by the jointly controlled entity at 30 June 2003 was US\$72,000 (2002: Nil). The balance is unsecured, interest free and no fixed repayment terms.

38. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2003 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
Interactive Group Limited	British Virgin Islands	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

38. 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 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
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	Inactive
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

38. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or registration/ or operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital %	Principal activities
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
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	GBP100	100	Inactive
Samtack Computers USA Inc.	United States of America	US\$10,000	100	Inactive
Trade Alliance Enterprises Limited	British Virgin Islands	US\$1	100	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

38. 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
Westcom Technology Limited	United Kingdom	GBP50,000	100	Wholesaling and distribution of computer components
松景科技股份有限公司	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) Deferred shares of the company amounting to HK\$1,800,000 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.
- (c) All the subsidiaries in the PRC are wholly foreign owned enterprises. Other than that, all the subsidiaries are limited liability companies.

None of the subsidiaries had any loan capital outstanding at 30 June 2003 or at any time during the year.

	Year ended 30 June				
	1999 US\$'000	2000 US\$'000	2001 US\$'000	2002 US\$'000	2003 US\$'000
RESULTS					
Turnover	248,846	316,788	297,434	238,259	226,910
Cost of sales	(229,612)	(285,842)	(271,285)	(217,086)	(209,284)
Gross profit	19,234	30,946	26,149	21,173	17,626
Other operating income	1,461	1,391	633	803	1,116
Selling and distribution expenses	(5,918)	(5,732)	(6,211)	(4,021)	(3,792)
General and administrative expenses	(8,647)	(13,773)	(17,499)	(16,084)	(13,329)
Profit from operations	6,130	12,832	3,072	1,871	1,621
Loss on disposal of a subsidiary	–	–	–	(31)	–
Gain on disposal of partial interest in a subsidiary	–	–	578	–	–
Share of results of a jointly controlled entity	–	–	–	–	(52)
Finance costs	(1,337)	(1,886)	(2,464)	(1,642)	(2,235)
Profit (loss) before taxation	4,793	10,946	1,186	198	(666)
Taxation	(684)	(941)	(255)	(43)	(215)
Profit (loss) before minority interests	4,109	10,005	931	155	(881)
Minority interests	56	–	–	248	(6)
Net profit (loss) for the year	4,165	10,005	931	403	(887)
As at 30 June					
	1999 US\$'000	2000 US\$'000	2001 US\$'000	2002 US\$'000	2003 US\$'000
ASSETS AND LIABILITIES					
Total assets	48,393	95,070	91,006	104,671	103,542
Total liabilities	(37,663)	(48,207)	(45,718)	(56,141)	(56,477)
Minority interests	–	–	564	(54)	(58)
Shareholders' funds	10,730	46,863	45,852	48,476	47,007

FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2003

PINE TECHNOLOGY HOLDINGS LIMITED

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 the year ended 30 June 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 year concerned and have been extracted from the Company's prospectus dated 16 November 1999.

NOTICE OF ANNUAL GENERAL MEETING

ANNUAL
REPORT
2003

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of PINE TECHNOLOGY HOLDINGS LIMITED (“the Company”) will be held at Units 5507-10, Hopewell Centre, 183 Queen’s Road East, Hong Kong on Thursday, 30th October, 2003 at 3:00 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 30th June, 2003.
2. To re-elect the retiring director and to authorise the Board of Directors to fix the directors’ remuneration.
3. To re-appoint auditors and to authorise the Board of Directors 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 of the Company (“the Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase 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 repurchased 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

NOTICE OF ANNUAL GENERAL MEETING

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

- (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 of Bermuda 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 outside Hong Kong;

- (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 laws of Bermuda 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 of the Company 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, 18 September, 2003

NOTICE OF ANNUAL GENERAL MEETING

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

Head Office:

Room 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, 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with power of attorney or other authority if any, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment hereof.
- (2) The register of members of the Company will be closed from Monday, 27 October, 2003 to Thursday, 30 October, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the rights to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 24 October, 2003.
- (3) A circular containing further details regarding Resolution no. 4 as required by the GEM Listing Rules will be despatched to shareholders together with 2003 Annual Report.

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

www.pinegroup.com