



Planting The Seeds for Solid Growth

PINE 2004 ANNUAL REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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。

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BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai *Chairman*
Mr. Chiu Hang Chin, Samson *Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen

COMPLIANCE OFFICER

Mr. Chiu Hang Chin, Samson

COMPANY SECRETARY

Mr. Leung Yiu Ming, CPA, ACS, ACIS

AUTHORISED REPRESENTATIVE

Mr. Chiu Hang Tai
Mr. Leung Yiu Ming

QUALIFIED ACCOUNTANT

Mr. Leung Yiu Ming
(Resigned on 21 July 2004)
Mr. Wong Chun Kit, CPA, ACCA
(Appointed on 21 July 2004)

AUDIT COMMITTEE

Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 5507-10, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

Bank of America (Asia) Limited
BNP Paribas (Canada)
DBS Bank (Hong Kong) Limited
Manufacturers Bank
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:
Stevenson, Wong & Co.

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 and our XFX gaming brand positions of its Video Graphic line to further expand our penetration and market shares of the segments of regional distributors, system builders and retailers of the major markets. On the Distribution division, we will continue to work on improving our overhead and operation efficiency while bringing out more services as our major strategy to grow our distribution business especially of our Mass Merchant category.

The Group is headquartered 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 2004. It has been listed on the GEM board of the Hong Kong Stock Exchange (HKGEM: 8013) in 1999.

We delivered a solid performance in the year of 2003-2004. We have turned around the business and delivered a net profit for the year of US\$1,568,000. This was in marked contrast to the US\$887,000 loss recorded in the previous year of 2003.

Turnover was US\$227,396,000, a slight growth from the previous year's US\$226,910,000. We were extremely encouraged to see our team delivered a significant improvement in the gross profit and gross margin of US\$19,964,000 and 8.8% as compared to the previous year's US\$17,626,000 and 7.8% respectively.

At the same time, our finance and management team continued to exercise a high degree of discipline on the financial management area. Our cash on hand was US\$7,548,000. Our debt-to-equity and gearing ratio were at a healthy 71.6% and 52.7%, an improvement from the previous year of 81.8% and 54.6% respectively.

This result reflects a successful implementation of our renewed business model, an extremely effective execution, and a disciplined management attitude towards costs and operation efficiency. It also reinforced our belief that Pine is on an improving trend.

Pine is surely on the right track of profitability, predictability, and stability, objectives of our transformation plan started out back in 2002.

BUSINESS REVIEW

Pine's improvement of gross margin was contributed by our XFX Division's non-stop rolling out of its full range of graphic cards, its catering to every need from the entry level to the high-end enthusiast, meeting the time-to-market opportunities, especially on its powerful high-end gaming models to fulfill the strong quest for gaming power and performance of the enthusiast community of the market. And many of our high-end models continued to win awards from the industry. We earned a "Recommend" award on our highest end GeForce 6800 Ultra DDR3 Dual DVI TV model by Trusted Review who commented "XFX has impressed by being the first manufacturer to get the GeForce 6800 Ultra out into the channel and although it is in scarce supply and the price is high, it is a great gaming solution that has everything you would expect from a cutting edge graphic card." We also earned the "Premium Grade" on our GeForce 6800GT 256MB DDR3 Dual DVI TV model by Custom PC who commented "XFX performs way ahead when it comes to overclocking... we have no hesitation in crowning the XFX the new king of high-end graphics cards."

Over the year, this success of the product development together with the industry awards and recognition added tremendous value to our “For Gamer By Gamer” (FGBG) marketing endeavor and created a solid Gamer image and market position on XFX especially in the strategic markets of the Continental Europe, USA, China and Middle East. A solid seed we planted for the continuing pursuit of businesses from the brand conscious segments instead of the commodity segments.

Turnover of our Distribution Division has grown to US\$121,541,000 from previous year's US\$119,142,000, a 2.0% growth. Our Distribution team continues its solid track record and reputation in delivering a highly professional and reliable services and efficiency to our customers and vendors. Their consistent business revenue and profitability over the years is a solid testimony of this trust of partnership established.

In this year, our Canadian team has successfully found them a new premise in Markham Ontario after their year long relentless search for the best possible new home for their coming years operation with targeted minimal cost increment. This is an integral part of their medium term strategic plan to bring the Canadian operation, the Group's largest aside from our factory to a new level of operational and cost efficiency. At the same time, we believe this new facility plus the customer-centric layouts will provide our team the needed elements to further develop more creative ideas and new ways to translate our customers needs and feedbacks into business and value adding opportunities.

This year is particularly an encouraging year. We are encouraged not just by our success of putting Pine back to the profitability trail. It is more by all the breakthroughs we made happen in last 2 years to the goals of simplification and optimization of our operation worldwide and the successful overhauling and uplifting of our core competitiveness in all important and strategic areas. This accomplishment makes our team so upbeat on Pine's future prospect and theirs as well.

BUSINESS OUTLOOK

Looking into 2005, we have every reason to be confident that our growth and profitability momentum will continue.

On the own branded graphic card business, we foresee we will benefit from the migration of interface architecture of the 2.1 gigabytes per second (GBps) data rate AGP slot to the 4 GBps' PCI Express technology which is so aggressively promoted by Intel and supported by the industry. XFX already has our full line of PCI Express graphics cards from top to bottom, entry level to the high-end ready and in delivery. We are very optimistic our fast-PCIE-ready position has put us in an advantageous position to capture the numerous opportunities arise from this transition, and allow us to make this an opportunity to demonstrate to our customers of our R&D capability and our whole team's execution competence.

CHAIRMAN'S STATEMENT

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We also see the harvest time start to come from our previous years' seeding and cultivation of the global customer profile of retail chains. Pine's business growth of 2005 and onward will benefit significantly from the solid mass merchants and retail chains that we have been developing and investing in the last few years. This profile includes the respected names like Walmart, Sam's Club, Circuit City in USA; Best Buy, Future Shop, Radio Shack, Office Depot, Business Staples in Canada; Media Market in Germany and Spain; Virgin Megastores, PC World, Maplin Electronics in the United Kingdom; Carrefour and Auchan in France; Carrefour in the Middle East. This put Pine in a promising position to exploit the fast growing upgrade market of the computer related hardwares, accessories, and the graphic cards.

All in all, we believe this coming years will be the harvest time of the many seeds that we planted and cultivated in last few years.

Despite our optimism, we are also very much alert of the uncertainties affecting the global economic outlook especially that of the USA and Europe; like the potential impact of historic high oil price, the upward trend of the interest rate, threats of terrorism, and the magnitude and consequent impact of China's macroeconomic controls.

Our strength and success lies in the speed of execution, our attitude towards results driven, and believe in teamwork to overcome all the coming uncertainties and challenges. It also rests on delivering the profitability growth and achieving objectives of our strategic plan, while continue to exercise the needed caution and balance towards these uncertain macro elements. And I know that my teammates around the world, talented and dedicated as they are, committed to meeting it, and to make another great years for Pine and our shareholders.

Chiu Hang Tai
Chairman

Hong Kong, 17 September 2004

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF GROUP ASSET

As at 30 June 2004, the group's borrowings comprised mainly short-term loans of approximately US\$32,517,000 (30 June 2003: approximately US\$36,013,000) and long-term loans of US\$1,294,000 (30 June 2003: US\$2,423,000). The aggregate borrowings approximately US\$33,811,000 (30 June 2003: approximately US\$38,436,000) were secured by pledged bank deposits or by assets of certain subsidiaries as floating charges to banks.

As at 30 June 2004, total pledged bank deposits, pledged freehold land and buildings, pledged investments in securities and all assets of certain subsidiaries as floating charges were amounted approximately US\$4,958,000, US\$2,195,000, US\$938,000 and US\$35,023,000 respectively (30 June 2003: US\$5,745,000, US\$2,187,000, nil and US\$33,477,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2004, total cash on hand amounted approximately US\$7,548,000 (30 June 2003: approximately US\$11,521,000).

CAPITAL STRUCTURE

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

US\$2,000,000 being the second and the third installment of a three years term loan of US\$4,000,000 has been repaid during the year, the outstanding term loan reduced to US\$1,000,000 at 30 June 2004.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

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

The Group had 42.5% interests in a joint venture which is principally engaged in manufacture and distribution of computer related hardware.

The Group beneficially held approximately 10% shareholding interests in QUASAR Communication Technology Holdings Limited ("QUASAR"), in which 5% shareholding interests of QUASAR were charged to bank for securing banking facilities.

STAFF

As at 30 June 2004, 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\$7.8 million for the year ended 30 June 2004 as compared with that of approximately US\$8.6 million for the preceding financial year.

GEARING RATIO

As at 30 June 2004, the gearing ratio of the Group, based on total liabilities over total asset was approximately 52.7% (30 June 2003: approximately 54.6%).

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 2004, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

At 30 June 2004, the Group did not have any material contingent liabilities (2003: Nil).

SEGMENT INFORMATION

GROUP BRAND PRODUCTS

Revenue is sustained at US\$105,855,000 for this year (2003: US\$107,768,000), the segment profit from group brand product surged to US\$3,928,000 compared with US\$2,259,000 in 2003. The stable revenue demonstrates a smooth transition of shifting customer profile from medium small to major top tier player in various markets. At the same time, our focus efforts on simplifying of infrastructure and streamlining of operation has resulted in a much controllable and low overheads. These produce a successful turnaround of the business and back to solid profitability.

OTHER BRAND PRODUCTS

The revenue increased by 2% to US\$121,541,000 for the year. Our successful establishment into the Mass Merchant channel gives us solid business and steady growth. The Mass Merchant segment is also starting to make revenue contribution to the other brand product division.

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai, aged 44, 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 fifteen 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 46, 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 twenty 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 36, 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 48, is a director of the accounting firm T.M. Ho, So & Leung CPA Limited and is a fellow member of the Hong Kong Institute of Certified Public 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 other 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

Mr. Leung Yiu Ming, aged 33, is the Company Secretary of the Company. He holds a bachelor degree in commerce from the Australian National University. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Prior to joining the Group in 1998, he was an auditor with one of the international accounting firms.

QUALIFIED ACCOUNTANT

Mr. Wong Chun Kit, aged 30, is the Qualified Accountant of the Company. Mr. Wong joined the Company in July 2003. Mr. Wong possesses over nine years of auditing, finance and accounting experience. Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

Ms Ji Yeuh-Er, aged 39, 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 holds 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 45, 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 twelve 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 39, 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 43, 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 32, 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

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The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2004, the top five suppliers of the Group together accounted for approximately 49% of the Group's total purchases and the largest supplier accounted for approximately 21% of the Group's total purchases.

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.

For the year ended 30 June 2004, 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 2004 are set out in the consolidated income statement on page 21 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\$0.5 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*

Independent non-executive directors:

Mr. Li Chi Chung

Mr. So Hon Cheung, Stephen

In accordance with Clause 111 of the Company's Bye-laws, Mr. So Hon Cheung, Stephen 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 2006 and 13 September 2004 respectively. The service contract with Mr. So Hon Cheung, Stephen was extended for a term of 2 years expiring on 13 September 2006.

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 2004, the interests and short positions 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 ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") Rule 5.46, were as follows:

Long positions:

(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 (note)	161,766,000	23.69%
Mr. Chiu Hang Chin, Samson	Beneficial owner	12,098,000	1.77%

Note: These shares are beneficially owned by and registered in the name of Alliance Express Group Limited. Mr. Chiu Hang Tai beneficially owns the entire issued share capital of Alliance Express Group Limited.

(B) SHARE OPTIONS

Name of director	Capacity	Number of share options held	Number of shares underlying
Mr. Chiu Hang Tai	Beneficial owner	2,176,000	2,176,000
Mr. Chiu Hang Chin, Samson	Beneficial owner	2,176,000	2,176,000

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 2004. 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 2004, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 27 to the financial statements.

The Company's share option scheme adopted pursuant to a resolution passed on 9 November 1999 (the "Old Scheme") is 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 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	Number	
				of share options at 1 July 2003	Lapsed	of share options at 30 June 2004
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. 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	-
				6,528,000	2,176,000	4,352,000

DIRECTORS' REPORT

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As at 17 September 2004, the number of shares in respect of which options had been granted under the Old Scheme was 11,362,000, representing 1.66% 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 adopted by the shareholders pursuant to a resolution passed on 16 April 2003 (the "New Scheme") is 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.

During the year ended and as at 30 June 2004, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Capacity	Number of issued ordinary shares held (long positions)	Percentage of the issued share capital of the Company
Mr. Chiu Kwong Chi	Held by controlled corporations (Note 1)	174,998,732	25.63%
Madam Wong Wai Ying	Held by controlled corporations (Note 1)	174,998,732	25.63%
Alliance Express Group Limited	Beneficial owner (Note 2)	161,766,000	23.69%
Concept Express Investments Limited	Beneficial owner (Note 1)	122,760,000	17.98%
Fireball Resources Limited	Beneficial owner (Note 1)	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.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2004.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 35 (a) and (b) to the financial statements:

- there was no transaction which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules; and
- 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 as set out in note 27 to the financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2004.

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 half-year report and annual financial reports.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 June 2004 with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

OTHER MATTERS

At 30 June 2004, the aggregate amount of advances made by the Group to Best Buy Canada Limited ("Best Buy") amounted to approximately US\$2,934,000, which represents approximately 24% of the Group's total market capitalisation.

Best Buy is a subsidiary of Minneapolis-based Best Buy Co. Inc. which is a leading specialty retailer of consumer electronics, personal computers, entertainment software and appliances in North America. The balance represented the outstanding balance of certain sales transactions entered into by the Group in its ordinary course of business and in normal commercial terms. The balance is unsecured, interest free and has a credit period of 45 to 60 days.

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, 17 September 2004

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 21 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 Institute of Certified Public 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 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

	NOTES	2004 US\$'000	2003 US\$'000
Turnover	4	227,396	226,910
Cost of sales		(207,432)	(209,284)
		<hr/>	<hr/>
Gross profit		19,964	17,626
Other operating income		254	1,116
Selling and distribution expenses		(3,554)	(3,792)
General and administrative expenses		(13,271)	(13,329)
		<hr/>	<hr/>
Profit from operations	5	3,393	1,621
Share of results of a jointly controlled entity		5	(52)
Finance costs	6	(1,559)	(2,235)
		<hr/>	<hr/>
Profit (loss) before taxation		1,839	(666)
Taxation	9	(145)	(215)
		<hr/>	<hr/>
Profit (loss) before minority interests		1,694	(881)
Minority interests		(126)	(6)
		<hr/>	<hr/>
Net profit (loss) for the year		1,568	(887)
		<hr/>	<hr/>
Earnings (loss) per share	10		
Basic (US cents)		0.23	(0.13)
		<hr/>	<hr/>
Diluted (US cents)		N/A	N/A
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2004

ANNUAL REPORT 2004

	NOTES	2004 US\$'000	2003 US\$'000
Non-current assets			
Property, plant and equipment	11	5,791	6,758
Development costs	12	246	347
Technical know-how	13	–	198
Trademarks	14	69	69
Investments in securities	16	1,926	3,371
Interest in a jointly controlled entity	17	5,103	5,098
Goodwill	18	95	196
Deferred taxation	29	124	–
		13,354	16,037
Current assets			
Inventories	19	26,281	21,602
Trade and other receivables	20	47,837	48,420
Amount due from a jointly controlled entity		247	72
Tax recoverable		–	145
Pledged bank deposits	22	4,958	5,745
Bank balances and cash		7,548	11,521
		86,871	87,505
Current liabilities			
Trade and other payables	23	16,146	16,203
Bills payable		2,367	1,524
Tax payable		513	22
Bank borrowings – due within one year	24	29,453	33,821
Other borrowings	25	3,064	2,192
		51,543	53,762
Net current assets		35,328	33,743
		48,682	49,780
Capital and reserves			
Share capital	26	8,790	8,790
Share premium and reserves	28	38,412	38,217
		47,202	47,007
Minority interests		186	58
Non-current liabilities			
Bank borrowings – due after one year	24	1,294	2,423
Deferred taxation	29	–	292
		1,294	2,715
		48,682	49,780

The financial statements on pages 21 to 71 were approved and authorised for issue by the Board of Directors on 17 September 2004 and are signed on its behalf by:

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

BALANCE SHEET
AT 30 JUNE 2004

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

	NOTES	2004 US\$'000	2003 US\$'000
Non-current assets			
Trademarks	14	10	11
Investments in subsidiaries	15	<u>9,087</u>	<u>9,087</u>
		9,097	9,098
Current assets			
Amounts due from subsidiaries	21	30,819	30,620
Pledged bank deposits	22	–	128
Bank balances		<u>132</u>	<u>203</u>
		30,951	30,951
		40,048	40,049
Capital and reserves			
Share capital	26	8,790	8,790
Share premium and reserves	28	<u>31,258</u>	<u>31,259</u>
		40,048	40,049

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

	Total equity US\$'000
At 1 July 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
Exchange differences on translation of overseas operations	72
Deficit on revaluation of investments in securities	(1,445)
Net loss not recognised in the income statement	(1,373)
Net profit for the year	1,568
At 30 June 2004	47,202

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2004

**PINE
TECHNOLOGY
HOLDINGS
LIMITED**

	2004	2003
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Profit from operations	3,393	1,621
Adjustments for:		
Interest income	(46)	(107)
Dividend income	–	(54)
Net (gain) loss on disposal of property, plant and equipment	(78)	128
Gain on disposal of investments in securities	–	(375)
Allowance for doubtful debts	2,569	825
Allowance for inventories	207	564
Impairment loss recognised on goodwill	90	–
Amortisation of development costs	382	970
Amortisation of technical know-how	198	199
Amortisation of trademarks	5	29
Amortisation of goodwill	11	11
Depreciation and amortisation of property, plant and equipment	1,472	1,422
	<hr/>	<hr/>
Operating cash flow before movements in working capital	8,203	5,233
Increase in inventories	(4,790)	(1,024)
Increase in trade and other receivables	(1,833)	(1,526)
Increase in amount due from a jointly controlled entity	(175)	(72)
(Decrease) increase in trade and other payables	(208)	1,004
Increase (decrease) in bills payable	843	(1,747)
	<hr/>	<hr/>
Cash generated from operations	2,040	1,868
Interest paid on bank borrowings	(1,288)	(1,676)
Interest paid on other borrowings	(271)	(287)
Interest paid on convertible bonds	–	(272)
Overseas tax paid	(10)	–
Overseas tax refunded	85	231
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	556	(136)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

	2004 US\$'000	2003 US\$'000
INVESTING ACTIVITIES		
Interest received	46	107
Dividends received from investments in securities	–	54
Proceeds from disposal of property, plant and equipment	157	67
Proceeds from disposal of investments in securities	–	1,170
Purchase of property, plant and equipment	(511)	(568)
Development expenditure incurred	(267)	(412)
Acquisition of trademarks	–	(3)
Decrease in pledged bank deposits	849	283
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	274	698
FINANCING ACTIVITIES		
New bank borrowings raised	863	6,534
Other borrowings raised	872	835
Redemption of convertible bonds	–	(3,000)
Repayment of bank borrowings	(6,585)	(4,649)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(4,850)	(280)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(4,020)	282
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
	11,521	11,130
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		
	25	109
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
	<hr/> 7,526	<hr/> 11,521
Being:		
Bank balances and cash	7,548	11,521
Bank overdrafts	(22)	–
	<hr/> 7,526	<hr/> 11,521

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 36.

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

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Institute of Certified Public Accountants.

The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of this revised SSAP has had no material effect on the results for the current or prior accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

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 30 June each year.

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.

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 since 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 gain or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Negative goodwill arising on acquisition of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 any accumulated 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.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, other than freehold land, over their estimated useful lives using the straight-line method as follows:

	Estimated useful lives
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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESEARCH AND DEVELOPMENT COSTS (Continued)

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 of technical know-how on a straight-line basis over a maximum period of five years.

TRADEMARKS

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

INVESTMENTS IN SECURITIES

Investments in securities are recognised on a trade date basis and are initially measured at cost. At subsequent reporting dates, all investments in securities are carried at fair value.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT (Continued)

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

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated 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 CONTRIBUTIONS

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

OPERATING LEASES

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

4. TURNOVER AND SEGMENT 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 organised 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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4. TURNOVER AND SEGMENT INFORMATION (Continued)

BUSINESS SEGMENTS (Continued)

Segment information about these businesses is presented below:

2004

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
REVENUE			
External sales	105,855	121,541	227,396
RESULT			
Segment result	3,928	608	4,536
Unallocated other operating income			46
Impairment loss recognised on goodwill			(90)
Unallocated corporate expenses			(1,099)
Profit from operations			3,393
Share of results of a jointly controlled entity		5	5
Finance costs			(1,559)
Profit before taxation			1,839
Taxation			(145)
Profit before minority interests			1,694
Minority interests			(126)
Net profit for the year			1,568

4. TURNOVER AND SEGMENT INFORMATION (Continued)

BALANCE SHEET

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
ASSETS			
Segment assets	61,717	26,302	88,019
Interest in a jointly controlled entity		5,103	5,103
Unallocated corporate assets			7,103
			<hr/>
Consolidated total assets			100,225
			<hr/>
LIABILITIES			
Segment liabilities	11,002	7,532	18,534
Unallocated corporate liabilities			34,303
			<hr/>
Consolidated total liabilities			52,837
			<hr/>

OTHER INFORMATION

	Group brand products	Other brand products	Consolidated
	US\$'000	US\$'000	US\$'000
Capital expenditure	601	177	778
Depreciation and amortisation	1,858	210	2,068
Allowance for doubtful debts	1,521	1,048	2,569
Allowance for inventories	200	7	207
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

4. TURNOVER AND SEGMENT INFORMATION (Continued)

2003

	Group brand products US\$'000	Other brand products US\$'000	Consolidated US\$'000
REVENUE			
External sales	107,768	119,142	226,910
RESULT			
Segment result	2,259	434	2,693
Unallocated other operating income			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)

4. TURNOVER AND SEGMENT INFORMATION (Continued)

BALANCE SHEET

	Group brand products US\$'000	Other brand products US\$'000	Consolidated US\$'000
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ASSETS

Segment assets	64,330	29,419	93,749
Interest in a jointly controlled entity		5,098	5,098
Unallocated corporate assets			4,695

Consolidated total assets			<u>103,542</u>
---------------------------	--	--	----------------

LIABILITIES

Segment liabilities	10,548	7,179	17,727
Unallocated corporate liabilities			38,750

Consolidated total liabilities			<u>56,477</u>
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OTHER INFORMATION

	Group brand products US\$'000	Other brand products US\$'000	Consolidated US\$'000
Capital expenditure	921	62	983
Depreciation and amortisation	2,370	261	2,631
Allowance for doubtful debts	404	421	825
Allowance for inventories	<u>303</u>	<u>261</u>	<u>564</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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4. TURNOVER AND SEGMENT INFORMATION (Continued)

GEOGRAPHICAL SEGMENTS

The Group's operations are located in North America, Europe and Asia.

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

	Turnover by geographical market	
	2004 US\$'000	2003 US\$'000
North America	155,882	140,660
Europe	30,384	42,950
Asia	36,959	38,240
Others	4,171	5,060
	<u>227,396</u>	<u>226,910</u>

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

	Carrying amount of total assets		Capital expenditure	
	2004 US\$'000	2003 US\$'000	2004 US\$'000	2003 US\$'000
North America	30,480	28,616	230	36
Europe	5,566	6,335	72	37
Asia	63,592	67,546	476	910
Others	587	1,045	–	–
	<u>100,225</u>	<u>103,542</u>	<u>778</u>	<u>983</u>

5. PROFIT FROM OPERATIONS

	2004 US\$'000	2003 US\$'000
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts	2,569	825
Allowance for inventories	207	564
Amortisation charges included in general and administrative expenses:		
Development costs	382	970
Technical know-how	198	199
Trademarks	5	29
Goodwill	11	11
Auditors' remuneration	213	237
Depreciation and amortisation of property, plant and equipment	1,472	1,422
Exchange loss	30	28
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries included in general and administrative expenses	90	–
Loss on disposal of property, plant and equipment	–	128
Operating lease rentals in respect of land and buildings	652	601
Research and development costs charged for the year	190	451
Staff costs including directors' remuneration	7,778	8,591
and after crediting:		
Dividend income from listed securities	–	54
Gain on disposal of investments in securities	–	375
Gain on disposal of property, plant and equipment	78	–
Interest income	46	107
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

ANNUAL REPORT 2004

6. FINANCE COSTS

	2004 US\$'000	2003 US\$'000
Interest on bank borrowings wholly repayable within five years	1,223	1,564
Interest on bank borrowings not wholly repayable within five years	65	112
Interest on other borrowings wholly repayable within five years	271	287
Interest on convertible bonds	–	272
	<u>1,559</u>	<u>2,235</u>

7. DIRECTORS' REMUNERATION

	2004 US\$'000	2003 US\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	32	31
	<u>32</u>	<u>31</u>
Other emoluments to executive directors:		
Basic salaries and other benefits	307	401
Retirement benefits scheme contributions	2	3
	<u>309</u>	<u>404</u>
	<u>341</u>	<u>435</u>

7. DIRECTORS' REMUNERATION (Continued)

The emoluments of the directors were within the following bands:

	2004	2003
	Number of directors	Number of directors
Nil to US\$129,000	3	6
US\$129,001 to US\$193,000	1	1
	<hr/>	<hr/>

The executive directors received individual emoluments for the year ended 30 June 2004 of approximately US\$192,000 (2003: US\$154,000) and US\$117,000 (2003: US\$117,000). The two executive directors who resigned in last year received individual emoluments for the year ended 30 June 2003 of approximately US\$85,000 and US\$48,000.

The independent non-executive directors received director's fee for the year ended 30 June 2004 of approximately US\$16,000 (2003: US\$16,000) and US\$16,000 (2003: US\$12,000). The independent non-executive director who resigned in last year received director's fee for the year ended 30 June 2003 of approximately US\$3,000.

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included two (2003: two) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining three (2003: three) individuals are as follows:

	2004	2003
	US\$'000	US\$'000
Basic salaries and other benefits	345	286
Retirement benefits scheme contributions	13	–
	<hr/>	<hr/>
	358	286
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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8. EMPLOYEES' REMUNERATION (Continued)

Their emoluments were within the following bands:

	2004	2003
	Number of employees	Number of employees
Nil to US\$129,000	1	3
US\$129,001 to US\$193,000	<u>2</u>	<u>–</u>

During each of the two years ended 30 June 2004, 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 2004.

9. TAXATION

	2004	2003
	US\$'000	US\$'000
The charge (credit) comprises:		
Profit for the year		
– other jurisdictions	576	91
(Over) underprovision in prior year		
– other jurisdictions	<u>(13)</u>	<u>3</u>
	<u>563</u>	<u>94</u>
Deferred taxation (note 29)	<u>(418)</u>	<u>117</u>
Taxation attributable to the Company and its subsidiaries	145	211
Share of taxation attributable to a jointly controlled entity	<u>–</u>	<u>4</u>
	<u>145</u>	<u>215</u>

9. TAXATION (Continued)

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

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 and QET started as from 1 January 1998 and 1 January 2002 respectively.

The tax charge for the year can be reconciled to the profit (loss) before taxation as follows:

	2004 US\$'000	2003 US\$'000
Profit (loss) before taxation	<u>1,839</u>	<u>(666)</u>
Tax charge (credit) at the applicable tax rate of 40% (2003: 40%) (note)	736	(266)
Tax effect of expenses not deductible for tax purpose	750	1,232
Tax effect of income not taxable for tax purpose	(1,002)	(546)
Tax effect of tax losses not recognised	37	44
Utilisation of tax losses previously not recognised	(228)	(150)
(Over) underprovision in respect of prior year	(13)	3
Income tax at concessionary tax rate	(6)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(27)	(69)
Effect of share of tax of a jointly controlled entity	(2)	24
Others	<u>(100)</u>	<u>(57)</u>
Tax charge for the year	<u>145</u>	<u>215</u>

Note: The tax rate in the jurisdiction where the operation of the Group substantially based is used as the applicable tax rate.

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FOR THE YEAR ENDED 30 JUNE 2004

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10. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit for the year of US\$1,568,000 (2003: loss of US\$887,000) and on 682,786,000 ordinary shares in issue during both years.

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 in May 2003 would result in a decrease in net loss per share.

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 2003	2,266	3,825	4,393	126	1,135	1,536	13,281
Exchange adjustments	64	3	12	-	8	-	87
Additions	-	50	307	15	26	113	511
Disposals	-	(504)	(147)	(77)	(63)	(201)	(992)
At 30 June 2004	2,330	3,374	4,565	64	1,106	1,448	12,887
DEPRECIATION AND AMORTISATION							
At 1 July 2003	79	2,104	2,590	98	777	875	6,523
Exchange adjustments	2	2	6	-	4	-	14
Provided for the year	54	308	583	12	144	371	1,472
Eliminated on disposals	-	(481)	(99)	(73)	(63)	(197)	(913)
At 30 June 2004	135	1,933	3,080	37	862	1,049	7,096
NET BOOK VALUES							
At 30 June 2004	2,195	1,441	1,485	27	244	399	5,791
At 30 June 2003	2,187	1,721	1,803	28	358	661	6,758

The Group has pledged the freehold land and buildings having a net book value of approximately US\$2,195,000 (2003: US\$2,187,000) to secure general banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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12. DEVELOPMENT COSTS

US\$'000

THE GROUP

COST

At 1 July 2003	6,386
Exchange adjustments	19
Additions	<u>267</u>
At 30 June 2004	<u>6,672</u>

AMORTISATION

At 1 July 2003	6,039
Exchange adjustments	5
Provided for the year	<u>382</u>
At 30 June 2004	<u>6,426</u>

NET BOOK VALUES

At 30 June 2004	<u>246</u>
At 30 June 2003	<u>347</u>

The amortisation period adopted for development costs is two years.

13. TECHNICAL KNOW-HOW

	US\$'000
THE GROUP	
COST	
At 1 July 2003 and 30 June 2004	<u>1,367</u>
AMORTISATION	
At 1 July 2003	1,169
Provided for the year	<u>198</u>
At 30 June 2004	<u>1,367</u>
NET BOOK VALUES	
At 30 June 2004	<u>–</u>
At 30 June 2003	<u>198</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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14. TRADEMARKS

US\$'000

THE GROUP

COST

At 1 July 2003	100
Exchange adjustments	8
	<hr/>
At 30 June 2004	108
	<hr/>

AMORTISATION

At 1 July 2003	31
Exchange adjustments	3
Provided for the year	5
	<hr/>
At 30 June 2004	39
	<hr/>

NET BOOK VALUES

At 30 June 2004	69
	<hr/>
At 30 June 2003	69
	<hr/>

THE COMPANY

COST

At 1 July 2003 and 30 June 2004	12
	<hr/>

AMORTISATION

At 1 July 2003	1
Provided for the year	1
	<hr/>
At 30 June 2004	2
	<hr/>

NET BOOK VALUES

At 30 June 2004	10
	<hr/>
At 30 June 2003	11
	<hr/>

The amortisation period adopted for trademarks is twenty years.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	US\$'000	US\$'000
Unlisted shares	<u>9,087</u>	<u>9,087</u>

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 2004 are set out in note 36.

16. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Other securities:		
Listed	<u>1,926</u>	<u>3,371</u>

The Group has pledged investments in securities with an aggregate carrying amount of approximately US\$938,000 (2003: Nil) to secure general banking facilities granted to the Group.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Share of net assets	<u>5,103</u>	<u>5,098</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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17. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

As at 30 June 2004, 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 held by the Group %	Principal activities
成都景豐嘉訊 科技有限公司	PRC	RMB100,000,000	42.50	Manufacturing and distribution of computer components

18. GOODWILL

US\$'000

THE GROUP

COST

At 1 July 2003 and 30 June 2004 218

AMORTISATION AND IMPAIRMENT

At 1 July 2003 22

Provided for the year 11

Impairment loss recognised in the income statement 90

At 30 June 2004 123

NET BOOK VALUES

At 30 June 2004 95

At 30 June 2003 196

The amortisation period adopted for goodwill is twenty years.

The directors of the Company considered that the recoverable amount of goodwill was less than its carrying amount. Accordingly, impairment loss has been recognised to reduce the carrying amount to its recoverable amount.

19. INVENTORIES

	THE GROUP	
	2004 US\$'000	2003 US\$'000
Raw materials	6,775	6,121
Work in progress	3,281	2,275
Finished goods	16,225	13,206
	<u>26,281</u>	<u>21,602</u>

Included above are raw materials of US\$6,775,000 (2003: US\$4,801,000) and finished goods of US\$6,605,000 (2003: US\$7,682,000) 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	
	2004 US\$'000	2003 US\$'000
Current	24,481	26,522
1 to 30 days	10,634	4,078
31 to 60 days	2,553	695
61 to 90 days	1,775	984
Over 90 days	2,609	10,215
	<u>42,052</u>	<u>42,494</u>
Trade receivables	42,052	42,494
Deposits, prepayments and other receivables	5,785	5,926
	<u>47,837</u>	<u>48,420</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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21. AMOUNTS DUE FROM SUBSIDIARIES

The balances are unsecured, interest free and have no fixed repayment terms.

22. 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.

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable:

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Current	6,725	7,507
1 to 30 days	2,327	1,692
31 to 60 days	975	1,287
61 to 90 days	557	594
Over 90 days	1,248	747
	<hr/>	<hr/>
Trade payables	11,832	11,827
Deposits in advance, accruals and other payables	4,314	4,376
	<hr/>	<hr/>
	16,146	16,203
	<hr/>	<hr/>

24. BANK BORROWINGS

THE GROUP	
2004	2003
US\$'000	US\$'000

Secured bank borrowings comprise the following:

Trust receipts and import loans	14,491	16,064
Other bank loans	16,234	20,180
Bank overdrafts	22	–
	30,747	36,244

The bank borrowings are repayable as follows:

On demand or within one year	29,453	33,821
More than one year, but not exceeding two years	169	1,165
More than two years, but not exceeding five years	507	493
More than five years	618	765
	30,747	36,244
Less: amounts due within one year shown under current liabilities	(29,453)	(33,821)
Amounts due after one year	1,294	2,423

25. OTHER BORROWINGS

THE GROUP

Other borrowings, which are secured by certain of the Group's trade receivables and inventories, bear interest at prevailing market rates and are repayable within one year.

Details of the pledge of assets are set out in note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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26. 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 1 July 2002, 30 June 2003 and 30 June 2004	<u>2,000,000,000</u>	<u>200,000</u>	<u>25,747</u>
Issued and fully paid			
At 1 July 2002, 30 June 2003 and 30 June 2004	<u>682,786,000</u>	<u>68,279</u>	<u>8,790</u>

27. SHARE OPTIONS

The Company's share option scheme adopted pursuant to a resolution passed on 9 November 1999 (the "Old Scheme") is 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 or 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.

27. SHARE OPTIONS (Continued)

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 of the Company 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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27. SHARE OPTIONS (Continued)

Details of the share options granted under the Old Scheme during the two years ended 30 June 2004 to subscribe for the shares in the Company are as follows:

2004

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options at 1 July 2003	Lapsed	Cancelled	Number of share options at 30 June 2004
Directors	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	2,176,000	–	–	2,176,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	2,176,000	–	–	2,176,000
	10.7.2000	10.7.2000 – 27.1.2001	28.1.2001 – 27.1.2004	1.056	2,176,000	2,176,000	–	–
					<u>6,528,000</u>	<u>2,176,000</u>	<u>–</u>	<u>4,352,000</u>
Senior management	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	546,000	–	–	546,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	546,000	–	–	546,000
	10.7.2000	10.7.2000 – 27.1.2001	28.1.2001 – 27.1.2004	1.056	546,000	546,000	–	–
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.056	214,000	–	–	214,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2005	1.056	214,000	–	–	214,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.240	484,000	–	–	484,000
	12.4.2001	12.4.2001 – 30.9.2001	1.10.2001 – 30.9.2006	0.335	800,000	–	–	800,000
					<u>3,350,000</u>	<u>546,000</u>	<u>–</u>	<u>2,804,000</u>
Others	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	822,000	–	390,000	432,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	758,000	–	398,000	360,000
	10.7.2000	10.7.2000 – 27.1.2001	28.1.2001 – 27.1.2004	1.056	572,000	572,000	–	–
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.056	204,000	–	60,000	144,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2005	1.056	186,000	–	–	186,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.240	4,030,000	–	936,000	3,094,000
	12.4.2001	12.4.2001 – 15.5.2001	16.5.2001 – 15.5.2006	0.335	4,000,000	–	–	4,000,000
	12.4.2001	12.4.2001 – 30.9.2001	1.10.2001 – 30.9.2006	0.335	300,000	–	300,000	–
					<u>10,872,000</u>	<u>572,000</u>	<u>2,084,000</u>	<u>8,216,000</u>
					<u>20,750,000</u>	<u>3,294,000</u>	<u>2,084,000</u>	<u>15,372,000</u>

27. SHARE OPTIONS (Continued)

2003

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options at 1 July 2002	Cancelled	Number of 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>
Senior management	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	546,000	–	546,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	546,000	–	546,000
	10.7.2000	10.7.2000 – 27.1.2001	28.1.2001 – 27.1.2004	1.056	546,000	–	546,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.056	214,000	–	214,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2005	1.056	214,000	–	214,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.240	484,000	–	484,000
	12.4.2001	12.4.2001 – 30.9.2001	1.10.2001 – 30.9.2006	0.335	800,000	–	800,000
					<u>3,350,000</u>	<u>–</u>	<u>3,350,000</u>
Others	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	3,000,000	2,178,000	822,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	2,770,000	2,012,000	758,000
	10.7.2000	10.7.2000 – 27.1.2001	28.1.2001 – 27.1.2004	1.056	2,308,000	1,736,000	572,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.056	900,000	696,000	204,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2005	1.056	924,000	738,000	186,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.240	10,572,000	6,542,000	4,030,000
	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	1,700,000	1,400,000	300,000
					<u>30,274,000</u>	<u>19,402,000</u>	<u>10,872,000</u>
					<u>46,964,000</u>	<u>26,214,000</u>	<u>20,750,000</u>

27. SHARE OPTIONS (Continued)

The Company's new share option scheme adopted by the shareholders pursuant to a resolution passed on 16 April 2003 (the "New Scheme") is 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 two years ended 30 June 2004, no options have been granted under the New Scheme.

27. SHARE OPTIONS (Continued)

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

28. SHARE PREMIUM AND RESERVES

	Share		Exchange reserve	Goodwill reserve	Investments			Total
	premium account	Surplus account			Capital reserve	revaluation reserve	Accumulated profits	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP								
Balance at 1 July 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)
Balance at 30 June 2003	22,215	2,954	84	(1,578)	67	1,330	13,145	38,217
Exchange differences on								
translation of overseas								
operations	-	-	72	-	-	-	-	72
Revaluation decrease	-	-	-	-	-	(1,445)	-	(1,445)
Net profit for the year	-	-	-	-	-	-	1,568	1,568
Balance at 30 June 2004	22,215	2,954	156	(1,578)	67	(115)	14,713	38,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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28. SHARE PREMIUM AND RESERVES (Continued)

	Share premium account US\$'000	Contributed surplus US\$'000	Accumulated profits US\$'000	Total US\$'000
THE COMPANY				
Balance at 1 July 2002	22,215	9,035	8	31,258
Profit for the year	—	—	1	1
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2003	22,215	9,035	9	31,259
Loss for the year	—	—	(1)	(1)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2004	<u>22,215</u>	<u>9,035</u>	<u>8</u>	<u>31,258</u>

The surplus account of the Group 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 (2003: US\$1,000) in respect of negative goodwill.

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

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

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

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

28. SHARE PREMIUM AND RESERVES (Continued)

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

	2004	2003
	US\$'000	US\$'000
Contributed surplus	9,035	9,035
Accumulated profits	8	9
	<hr/>	<hr/>
	9,043	9,044
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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29. DEFERRED TAXATION

THE GROUP

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Allowance for inventories	Tax losses	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 July 2002					
– as previously reported	(50)	–	–	193	143
– adjustment on adoption of SSAP 12 (Revised)	48	–	(48)	–	–
	<u>(2)</u>	<u>–</u>	<u>(48)</u>	<u>193</u>	<u>143</u>
Charge (credit) to income statement for the year	(8)	–	(61)	186	117
Exchange differences	(5)	–	(9)	46	32
Effect of change in tax rate charge (credit) to the income statement	(4)	–	4	–	–
	<u>(4)</u>	<u>–</u>	<u>4</u>	<u>–</u>	<u>–</u>
At 1 July 2003	(19)	–	(114)	425	292
(Credit) charge to income statement for the year	60	(113)	79	(444)	(418)
Exchange differences	–	–	–	2	2
	<u>–</u>	<u>–</u>	<u>–</u>	<u>2</u>	<u>2</u>
At 30 June 2004	<u>41</u>	<u>(113)</u>	<u>(35)</u>	<u>(17)</u>	<u>(124)</u>

At 30 June 2004, the Group has unutilised estimated tax losses of approximately US\$2,546,000 (2003: US\$3,197,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US\$203,000 (2003: US\$378,000) of such losses. No deferred tax asset has been recognised in respect of estimated tax losses of US\$2,343,000 (2003: US\$2,819,000) due to the unpredictability of future profit streams.

30. PLEDGE OF ASSETS

In addition to the freehold land and buildings, investments in securities and pledged bank deposits as disclosed in notes 11, 16 and 22, the Group has also pledged assets of certain subsidiaries as floating charges to banks and credit institution for facilities of US\$27,848,000 (2003: US\$26,567,000) granted to the Group at 30 June 2004. The total facilities secured by such floating charges and utilised by the Group as at 30 June 2004 amounted to US\$16,410,000 (2003: US\$22,643,000). Details of the assets that have been pledged to banks under such floating charges are as follows:

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Property, plant and equipment	273	226
Inventories	13,642	7,682
Trade and other receivables	19,740	23,563
Bank balances and cash	1,368	2,006
	35,023	33,477

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FOR THE YEAR ENDED 30 JUNE 2004

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31. 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	
	2004	2003
	US\$'000	US\$'000
Within one year	661	636
Later than one year and not later than five years	1,403	1,250
Later than five years	316	530
	<u>2,380</u>	<u>2,416</u>

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

32. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>126</u>	<u>-</u>

33. CONTINGENT LIABILITIES

THE COMPANY

At 30 June 2004, the Company had executed certain unlimited guarantees and corporate guarantees to secure the general banking facilities and credit facilities granted to its subsidiaries amounting to approximately US\$39,523,000 (2003: US\$39,232,000) and US\$4,834,000 (2003: HK\$4,575,000) respectively. The total amount of general banking facilities and credit facilities utilised by the subsidiaries as at 30 June 2004 amounted to approximately US\$28,244,000 (2003: US\$31,013,000) and US\$3,064,000 (2003: US\$2,192,000) respectively.

34. RETIREMENT BENEFITS SCHEMES

During the year, the Group operated defined contribution retirement benefits schemes in various regions outside Hong Kong for all qualifying employees and the Group also operated a defined contribution scheme for its qualifying employees in Hong Kong prior to 1 December 2000 (collectively "Defined Contribution Schemes"). The assets of the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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34. RETIREMENT BENEFITS SCHEMES (Continued)

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 the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions 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.

The details of retirement benefits scheme 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:

	THE GROUP	
	2004	2003
	US\$'000	US\$'000
Gross retirement benefits scheme contributions	69	56
Less: Forfeited contributions for the year	(32)	(47)
Net retirement benefits scheme contributions	<u>37</u>	<u>9</u>

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.

35. RELATED PARTY TRANSACTIONS

- (a) At 30 June 2004, Mr. Chiu Hang Tai, a director of the Company, and Mr. Chiu Hang Chin, Samson, a director and 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\$2,000,000. The facilities utilised at 30 June 2004 amounted to US\$1,000,000. At 30 June 2003, Mr. Chiu Hang Tai 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. The facilities utilised at 30 June 2003 amounted to US\$3,000,000. The personal guarantee given by Mr. Ong Se Mon was replaced by Mr. Chiu Hang Chin, Samson during the year.

35. RELATED PARTY TRANSACTIONS (Continued)

- (b) At 30 June 2004, Mr. Chiu Hang Chin, Samson had assigned his life insurance policy in the face amount of not less than US\$2,000,000 (2003: US\$2,000,000) to a bank to secure general banking facilities granted to the Group amounting to US\$10,000,000 (2003: US\$9,000,000). The facilities utilised at 30 June 2004 amounted to US\$8,024,000 (2003: US\$7,140,000).
- (c) During the year, the Group sold raw materials to and received subcontracting income from the jointly controlled entity amounting to US\$141,000 (2003: US\$854,000) and US\$676,000 (2003: US\$424,000) 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 2004 was US\$247,000 (2003: US\$72,000). The balance is unsecured, interest free and has a credit period of 30 days. At 30 June 2004, US\$106,000 and US\$141,000 fall into the age groups of overdue 1 to 30 days and overdue over 90 days respectively. At 30 June 2003, the balance fell into the age group of overdue 31 to 60 days.

36. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2004 were as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion	Principal activities
			of nominal value of issued capital/ registered capital held by the Company	
			%	
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

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36. 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 held by the Company %	Principal activities
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
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 and Components Limited	United Kingdom	GBP100	100	Trademarks holding

36. 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 held by the Company %	Principal activities
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	Inactive
Pine Technology (BVI) Limited	British Virgin Islands	US\$10,000	100	Investment holding
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	Investment holding
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

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FOR THE YEAR ENDED 30 JUNE 2004

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36. 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 held by the Company %	Principal activities
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 USA Inc.	United States of America	US\$10,000	100	Inactive
Westcom Technology Limited	United Kingdom	GBP50,000	100	Wholesaling and distribution of computer components
AFX Creation Inc. (Formerly known as Trade Alliance Enterprises Limited)	British Virgin Islands	US\$1	100	Trademarks holding
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

36. PARTICULARS OF SUBSIDIARIES (Continued)

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) Both subsidiaries in the PRC are wholly foreign owned enterprises.

None of the subsidiaries had any debt securities outstanding at 30 June 2004 or at any time during the year.

FINANCIAL SUMMARY

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	Year ended 30 June				
	2000 US\$'000	2001 US\$'000	2002 US\$'000	2003 US\$'000	2004 US\$'000
RESULTS					
Turnover	316,788	297,434	238,259	226,910	227,396
Cost of sales	(285,842)	(271,285)	(217,086)	(209,284)	(207,432)
Gross profit	30,946	26,149	21,173	17,626	19,964
Other operating income	1,391	633	803	1,116	254
Selling and distribution expenses	(5,732)	(6,211)	(4,021)	(3,792)	(3,554)
General and administrative expenses	(13,773)	(17,499)	(16,084)	(13,329)	(13,271)
Profit from operations	12,832	3,072	1,871	1,621	3,393
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)	5
Finance costs	(1,886)	(2,464)	(1,642)	(2,235)	(1,559)
Profit (loss) before taxation	10,946	1,186	198	(666)	1,839
Taxation	(941)	(255)	(43)	(215)	(145)
Profit (loss) before minority interests	10,005	931	155	(881)	1,694
Minority interests	–	–	248	(6)	(126)
Net profit (loss) for the year	10,005	931	403	(887)	1,568
As at 30 June					
	2000 US\$'000	2001 US\$'000	2002 US\$'000	2003 US\$'000	2004 US\$'000
ASSETS AND LIABILITIES					
Total assets	95,070	91,006	104,671	103,542	100,225
Total liabilities	(48,207)	(45,718)	(56,141)	(56,477)	(52,837)
Minority interests	–	564	(54)	(58)	(186)
Shareholders' funds	46,863	45,852	48,476	47,007	47,202

松景科技 2004 年報



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