

Planting The Seeds for solid growth

PINE 2005 INTERIM REPORT



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This report, for which the directors of PINE Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to PINE Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS FOR THE HALF-YEARLY PERIOD

- Revenue reported at approximately US\$69,633,000 for the Quarterly Period.
- Net profit attained at approximately US\$606,000 for the Quarterly Period.

INTERIM RESULTS

On behalf of the board of the directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”), I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months (the “Half-Yearly Period”) and the three months (the “Quarterly Period”) ended 31 December 2004. The interim report for the six months ended 31 December 2004 has been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the Half-Yearly and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 2003 are as follows:

	Notes	Unaudited			
		Six months ended		Three months ended	
		31 December		31 December	
		2004	2003	2004	2003
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	126,375	124,907	69,633	63,834
Cost of sales		(116,694)	(115,762)	(63,777)	(58,901)
Gross profit		9,681	9,145	5,856	4,933
Other operating income		274	136	117	84
Profit from operations		1,771	1,462	1,193	838
Share of results of a jointly controlled entity		(4)	14	4	(11)
Finance costs		(798)	(727)	(461)	(381)
Profit before taxation	3	969	749	736	446
Taxation	4	(225)	(66)	(195)	(35)
Profit after taxation		744	683	541	411
Minority interests		100	55	65	59
Profit for the period		844	738	606	470
Earnings per share (US cents)	5				
– Basic		0.124	0.108	0.089	0.069
– Diluted		N/A	N/A	N/A	0.069

CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 31 December 2004, together with the audited balance sheet as at 30 June 2004 are as follows:

		(Unaudited) 31 December 2004 US\$'000	(Audited) 30 June 2004 US\$'000
Non-current assets			
Property, plant and equipment		3,390	5,791
Development costs		246	246
Trademarks		72	69
Investments in securities		1,605	1,926
Investments in a jointly controlled entity		5,099	5,103
Goodwill		90	95
Deferred taxation		129	124
		<u>10,631</u>	<u>13,354</u>
Current assets			
Inventories		31,258	26,281
Trade and other receivables	6	65,386	47,837
Amount due from a jointly controlled entity		674	247
Pledged bank deposits		2,018	4,958
Bank balances and cash		9,441	7,548
		<u>108,777</u>	<u>86,871</u>
Current liabilities			
Trade and other payables	7	27,546	16,146
Bills payable		2,851	2,367
Tax payable		92	513
Bank borrowings – due within one year		35,765	29,453
Other borrowings		5,101	3,064
		<u>71,355</u>	<u>51,543</u>
Net current assets		<u>37,422</u>	<u>35,328</u>
		<u><u>48,053</u></u>	<u><u>48,682</u></u>
Capital and reserves			
Share capital		8,790	8,790
Share premium and reserves		39,171	38,412
		<u>47,961</u>	<u>47,202</u>
Minority interests		92	186
Non-current liabilities			
Bank borrowings – due after one year		–	1,294
		<u><u>48,053</u></u>	<u><u>48,682</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

The unaudited consolidated cash flow statement for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

	Unaudited	
	Six months ended	
	31 December	
	2004	2003
	US\$'000	US\$'000
Net cash outflow from operating activities	(9,230)	(3,438)
Net cash inflow from investing activities	4,653	224
Net cash inflow from financing activities	6,254	1,304
Increase/(decrease) in cash and cash equivalents	1,677	(1,910)
Cash and cash equivalents at 1 July	7,526	11,521
Effect of foreign exchange rate changes	238	(21)
Cash and cash equivalents at 31 December	<u>9,441</u>	<u>9,590</u>
Cash and cash equivalents at 1 July		
Being:		
Bank balances and cash	7,548	11,521
Bank overdrafts	(22)	–
	<u>7,526</u>	<u>11,521</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The unaudited consolidated statement of changes in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

	Share capital	Share premium account	Surplus account	Exchange reserve	Goodwill reserve	Capital reserve	Investments revaluation reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 July 2003	8,790	22,215	2,954	84	(1,578)	67	1,330	13,145	47,007
Exchange differences on translation of overseas operations	-	-	-	(26)	-	-	-	-	(26)
Revaluation decrease	-	-	-	-	-	-	(963)	-	(963)
Profit for the period	-	-	-	-	-	-	-	738	738
Balance at 31 December 2003	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>58</u>	<u>(1,578)</u>	<u>67</u>	<u>367</u>	<u>13,883</u>	<u>46,756</u>
Balance at 1 July 2004	8,790	22,215	2,954	156	(1,578)	67	(115)	14,713	47,202
Exchange differences on translation of overseas operations	-	-	-	236	-	-	-	-	236
Revaluation decrease	-	-	-	-	-	-	(321)	-	(321)
Profit for the period	-	-	-	-	-	-	-	844	844
Balance at 31 December 2004	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>392</u>	<u>(1,578)</u>	<u>67</u>	<u>(436)</u>	<u>15,557</u>	<u>47,961</u>

NOTES TO CONDENSED INTERIM ACCOUNTS:

1. Basis of presentation

The unaudited condensed consolidated interim accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. Segment information

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

An analysis of the Group's turnover and results for the Half-Yearly Period together with the corresponding period in 2003 by business segment is presented below:

	Group		Other		Consolidated	
	brand products		brand products			
	2004	2003	2004	2003	2004	2003
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue						
External sales	<u>70,756</u>	<u>53,564</u>	<u>55,619</u>	<u>71,343</u>	<u>126,375</u>	<u>124,907</u>
Result						
Segment result	<u>1,578</u>	<u>1,053</u>	<u>886</u>	<u>1,065</u>	<u>2,464</u>	<u>2,118</u>
Unallocated other revenue					19	23
Unallocated corporate expenses					(712)	(679)
Profit from operations					1,771	1,462
Share of results of a jointly controlled entity					(4)	14
Finance costs					(798)	(727)
Profit before taxation					969	749
Taxation					(225)	(66)
Profit before minority interests					744	683
Minority interests					100	55
Net profit for the period					<u>844</u>	<u>738</u>
Assets						
Segment assets	75,363	70,218	35,103	40,389	110,466	110,607
Unallocated assets					8,942	8,839
Consolidated total assets					<u>119,408</u>	<u>119,446</u>
Liabilities						
Segment liabilities	22,113	15,967	8,284	15,877	30,397	31,844
Unallocated liabilities					40,958	40,838
Consolidated total liabilities					<u>71,355</u>	<u>72,682</u>
Other information						
Capital expenditure	212	105	275	64	487	169
Depreciation and amortization	<u>542</u>	<u>771</u>	<u>118</u>	<u>114</u>	<u>660</u>	<u>885</u>

The unaudited geographical segment information for the Half-Yearly Period together with the corresponding half-yearly period in 2003 is as follows:

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditures	
	2004	2003	2004	2003	2004	2003
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
North America	73,855	86,386	40,575	40,819	316	54
Europe	25,033	16,477	9,605	8,587	19	7
Asia	26,008	20,547	68,690	69,023	152	108
Others	1,479	1,497	538	1,017	-	-
	126,375	124,907	119,408	119,446	487	169

3. Profit before taxation

	Six months ended 31 December		Three months ended 31 December	
	2004	2003	2004	2003
	US\$'000	US\$'000	US\$'000	US\$'000
Profit before taxation has been arrived at after charging/(crediting):				
Depreciation and amortization	660	885	331	477
Loss/(gain) on disposal of property, plant and equipment	215	(6)	215	(6)

4. Taxation

	Six months ended 31 December		Three months ended 31 December	
	2004	2003	2004	2003
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
- Hong Kong Profits Tax	-	-	-	-
- Taxation arising in other jurisdictions	225	66	195	35
	225	66	195	35

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

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

5. Earnings per share

The share options have no dilutive effect on ordinary shares for the Half-Yearly Period, the Quarterly Period and the corresponding half-yearly period in 2003 because the exercise price of the Company's share options was higher than the average market price of shares for the period.

The calculation of the basic earnings per share for the Half-Yearly Period, the Quarterly Period, the corresponding half-yearly period and quarterly period in 2003, and diluted earnings per share for the corresponding quarterly period in 2003 are based on the following data:

	Six months ended		Three months ended	
	31 December		31 December	
	2004	2003	2004	2003
	US\$	US\$	US\$	US\$
Earnings for the purpose of:				
basic and diluted earnings per share	<u>844,000</u>	<u>738,000</u>	<u>606,000</u>	<u>470,000</u>
Number of ordinary shares for the purpose of basic earnings per share	682,786,000	682,786,000	682,786,000	682,786,000
Effect of dilutive potential ordinary share in respect of:				
– Share options	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>176,369</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>682,962,369</u>

6. 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:

	31 December	30 June
	2004	2004
	US\$'000	US\$'000
Current	37,752	24,481
1 to 30 days	10,825	10,634
31 to 60 days	2,691	2,553
Over 60 days	7,874	4,384
	<hr/>	<hr/>
Trade receivables	59,142	42,052
Deposits, prepayments and other receivables	6,244	5,785
	<hr/>	<hr/>
	65,386	47,837
	<hr/> <hr/>	<hr/> <hr/>

7. Trade and other payables

The following is an aged analysis of accounts payable:

	31 December	30 June
	2004	2004
	US\$'000	US\$'000
Current	14,665	6,725
1 to 30 days	6,892	2,327
31 to 60 days	596	975
Over 60 days	597	1,805
	<hr/>	<hr/>
Trade payables	22,750	11,832
Deposits in advance, accruals and other payable	4,796	4,314
	<hr/>	<hr/>
	27,546	16,146
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INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Half-Yearly Period and the Quarterly Period.

The Group has not declared any dividends for the corresponding half-yearly period and quarterly period in 2003.

BUSINESS REVIEW

We continued the growth momentum of profitability. We have delivered an increase of 28.9% of net profit after tax to US\$606,000 in this Quarterly Period against that of US\$470,000 of same period of 2003.

Revenue for the Quarterly Period totaled US\$69,633,000, a slight growth of 9.1% compared to US\$63,834,000 in the prior year period. Gross profit margin increased to 8.4% this quarter from the 7.7% of same period of 2003.

Taking the view of the full Half-Yearly Period, our Team has delivered a net profit of US\$844,000 from revenue of US\$126,375,000 compared to US\$738,000 and US\$124,907,000 respectively of the corresponding half-yearly period last year.

As of 31 December 2004, cash on hand totaled US\$9,441,000, up US\$1,893,000 from last year-end 30 June 2004. The aggregate borrowing increased by US\$7,055,000 from last year-end to a total of US\$40,866,000, resulting in a debt to equity ratio at approximately 85.2% compared to that of 71.6% of 30 June 2004.

Over this quarterly period, revenue generated by our XFX video graphic line has grown by 32.1% to US\$70,756,000 from the US\$53,564,000 of the same period last year. And our high end gaming graphic models continued to out-run those of our competitors, with our top of the line XFX GeForce 6800GT 256MB DDR3 Dual DVI outshined the same from MSI, Leadtek and others and won the Best Graphics Hardware from the Custom PC Award 2004, which commented "XFX's version of the GeForce 6800GT came out tops in this category, because it balances the speed of the new 6800GPU with a price that's not totally crazy. The Voodoo might have been and gone, but the XFX still offers a magic combination."

On the geographic side, we are excited to see our revenue from the European and Asian markets of the Half-Yearly Period grew by 51.9% to US\$25,033,000 from US\$16,477,000 and by 26.6% to US\$26,008,000 from US\$20,547,000 respectively compared to the same period last year. This is a remarkable achievement in our team's execution of the channel strategy and market penetration.

On the competition front, XFX has proudly beaten the top of the league players like Asus, Gigabyte, Gainward, and won the reputable Channel Champion 2004 India award by 360magazine. This award was a result of a survey done and voted by the channel in India on 10 key attributes considered important to the channel partners. These include Product Quality, Price Performance ratio, Margins & Profits, Ease of Product Implementation, Marketing & Sales Supports etc.

All these are a solid testimony that all the seeds we planted in the past years have started to yield solid results, and they together become part of our competitive strengths we to utilize for larger market share and greater successes in the years to come.

Over this period, revenue from our Distribution Division has dropped to US\$55,619,000 from US\$71,343,000. This is a result of our strategy of continued de-emphasis of the Optical Drive line due to its price erosion and volatility of the Recordable DVD Writers. At the same time, we are extremely proud and delighted to see our Canadian Business Unit being awarded the Business Excellence Awards 2004 by the Markham Board of Trade of Canada, which stated rightfully “ ... one of its (Santack Computer Inc) strengths is its ability to source new and updated technology products from the Far East.”

BUSINESS PROSPECTS

Our view of optimism regarding the outlook of 2005 remains unchanged. The PC industry will continue to benefit from the architectural migration from AGP to PCI Express as we already witnessed a growing demand for new systems of PCI Express platform. The huge success and hype created by the cinema quality sci-fi horror PC game masterpiece, the Doom 3, and the upcoming hyper-realistic games in demand of high level graphic processing power will continue to create a high demand for the high-end gaming graphic cards. This trend plus our sharpened competitive position make us believe the Company will continue on track of steady growth of revenue and profitability.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our suppliers, customers, bankers, and shareholders for their support of the past years' restructuring and remodeling endeavor. Their continual and increased supports are the key catalyst to the successful achievement of our remodeling exercise. And most importantly, I would like to thank the whole team who has made this a successful quarter through their creativity and continuing dedication.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2004, the Group's borrowings comprised mainly short-term loans of approximately US\$40,866,000 (30 June 2004: approximately US\$32,517,000) and long-term loans of US\$nil (30 June 2004: approximately US\$1,294,000). The aggregate borrowings approximately US\$40,866,000 (30 June 2004: approximately US\$33,811,000) were partially secured by pledged bank deposits, share of investments in securities or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2004, total pledged bank deposits, pledged investments in securities and all assets of certain subsidiaries as floating charges were amounted approximately US\$2,018,000, US\$781,000 and US\$49,140,000 respectively (30 June 2004: approximately US\$4,958,000, US\$938,000 and US\$35,023,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2004, the total cash on hand amounted approximately US\$9,441,000 (30 June 2004: approximately US\$7,548,000).

Capital structure

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

US\$1,000,000 being the final installment of a three years term loan of US\$4,000,000 has been repaid during the Half-Yearly Period.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the Half-Yearly Period.

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 31 December 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\$3.6 million for the Half-Yearly Period as compared with that of approximately US\$3.1 million for the corresponding half-yearly period in 2003.

Gearing ratio

As at 31 December 2004, the gearing ratio of the Group based on total liabilities over total assets was approximately 59.8% (30 June 2004: approximately 52.7%).

Exchange risk

During the period under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars and Canadian dollars. For settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that were principally denominated in US dollars, Canadian dollars and Pound Sterling. The unsecured risk will be foreign currency payables and loan exceeds 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 31 December 2004, the Group has no significant exposure under foreign exchange.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2004 (30 June 2004: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2004, the interests and short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

A) Ordinary Shares of HK\$0.1 each of the Company

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

In addition to above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited (“PIL”), a subsidiary of the Company as at 31 December 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 PIL. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of PIL only after the distribution of HK\$1,000 million, as specified in the articles of association of PIL, to holders of ordinary shares.

Saved as disclosed above and other than certain nominee shares in subsidiaries of the Company held by directors in trust, as at 31 December 2004, none of the directors or the chief executive of the Company, nor their respective associates had, or was deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

B) Share Options

Pursuant to the share option schemes of the Company adopted on 9 November 1999 (the "Old Scheme") and 16 April 2003 (the "New Scheme"), the directors and employees of the Company and its subsidiaries may be granted share options to subscribe for shares of HK\$0.10 each in the Company.

As at 31 December 2004, the following directors of the Company were granted share options to subscribe for shares in the Company, details of which are as follows:

Name of director	Date of grant	Exercisable period <i>(both dates inclusive)</i>	Exercise price per share HK\$	Number of options granted
Chiu Hang Tai	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
Chiu Hang Chin, Samson	31.1.2000	28.1.2001 to 27.1.2006	1.674	1,088,000
	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000
	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 December 2004, the following persons (not being a director or a chief executive of the Company), had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate 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 (i) 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 (ii) 52,238,732 shares are beneficially owned and registered in the name of Fireball Resources Limited which is wholly and beneficially owned by Madam Wong Wai Ying.
- The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.

Saved as disclosed above, the directors are not aware of any person who, as at 31 December 2004, had, or was deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DISCLOSURE OF TRADING BALANCE ARISING FROM SALES TRANSACTIONS CONDUCTED BY THE GROUP IN ITS ORDINARY COURSE OF BUSINESS

The following disclosure is made in pursuant to Rules 17.15 and 17.22 of the GEM Listing Rules.

As at 31 December 2004, the following trade receivable had trading balance with the Group exceeded 8% of the Company's total market capitalization:

	<i>US\$</i>	% of total market capitalization
Best Buy Canada Limited	3,120,000	30%
Ingram Micro Inc	1,264,000	12%
Tiger Direct Inc	1,189,000	11%
PC IZZI	1,130,000	11%
Wal-Mart Canada Corp	1,115,000	11%
Ingram Micro Component Eu GmbH	1,059,000	10%
The Business Depot Ltd	947,000	9%
D&H Distributing Co., Inc	876,000	8%
Avnet Technology Solution GmbH	875,000	8%

The above customers are independent of any of the Directors, the chief executive of the Group, the management shareholders and the substantial shareholders (within the meaning of the GEM Listing Rules). Such amount represented the outstanding balance of certain sales transactions entered into by the Group in its ordinary course of business and on normal commercial terms. It is unsecured, interest free, and with payment terms in region of 30 to 60 days.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules. The audit committee comprised the three independent non-executive directors, namely Messrs. Li Chi Chung, So Hon Cheung, Stephen and Xu Jian Hua.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.46 to 5.67 (where applicable) concerning securities transactions by Directors throughout the accounting period covered by this Report and all Directors have complied with the required standard of dealings set out therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

By order of the Board
Chiu Hang Tai
Chairman

Hong Kong, 7 February 2005

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

松景科技2005中期業績報告



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