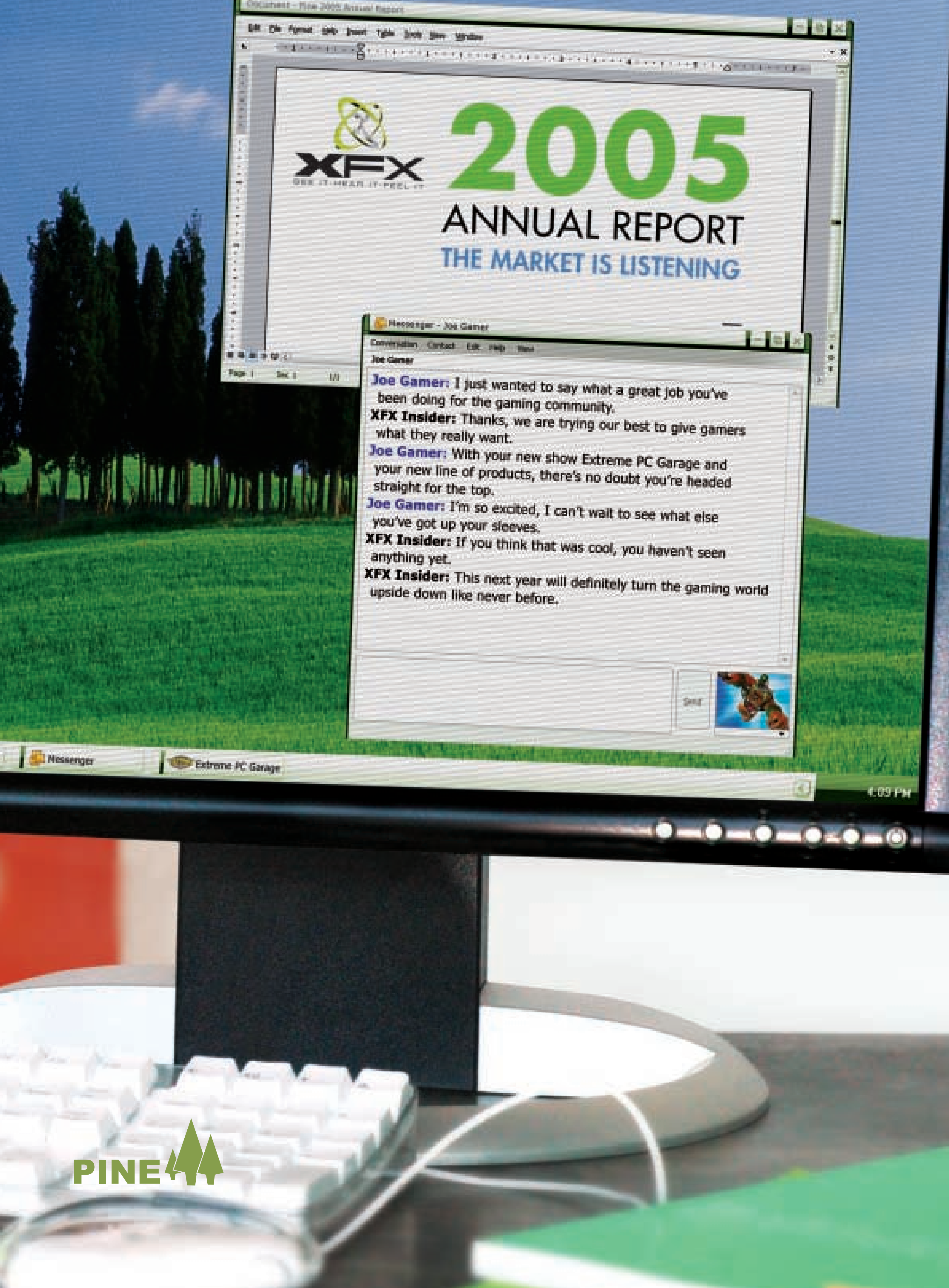

XFX
2005
ANNUAL REPORT
THE MARKET IS LISTENING
Messenger - Joe Gamer
Joe Gamer: I just wanted to say what a great job you've been doing for the gaming community.
XFX Insider: Thanks, we are trying our best to give gamers what they really want.
Joe Gamer: With your new show Extreme PC Garage and your new line of products, there's no doubt you're headed straight for the top.
Joe Gamer: I'm so excited, I can't wait to see what else you've got up your sleeves.
XFX Insider: If you think that was cool, you haven't seen anything yet.
XFX Insider: This next year will definitely turn the gaming world upside down like never before.
Messenger
Extreme PC Garage
PINE

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

XFX's line of video graphics card solutions have become synonymous with outstanding quality, unmatched performance, and great value.


XFX GeForce 6800
ster-Grafik
MID-RANGE GRAPHICS CARD
MSI GeForce FX 5900XT-VTD MyVIVo 128MB
HIGH-END GRAPHICS CARD
XFX GeForce 6800 GT
PENTIUM 4 MOTHERBOARD
Albatron PX875P Pro
GH-END GRAPHICS CARD
XFX GeForce 6800 GT
OWERFUL NEXT-GEN GRAPHICS THAT
OU CAN ALSO OVERCLOCK
HIGH-END GRAPHICS CARD
XFX GeForce 6800 Ultra
HIGH-RESOLUTION JUNKIES ONLY NEED APPLY
CUSTOM PC
PREMIUM GRADE
CONCLUSION
ويندوز
WINDOWS
جوائز مجلة
ويندوز ٢٠٠٤
Windows
Awards 2004
ويندوز
PC Format
BIG 3D CARD TEST
XFX
GEFORCE 7800 GTX

Breaking the World's Record for the fastest graphics card was just the beginning.


XFX
SEE IT · HEAR IT · FEEL IT

The brand that is shaking up the gaming industry.

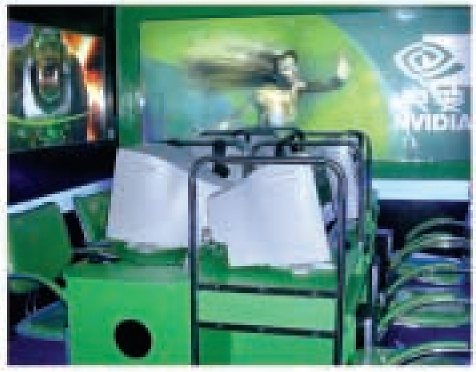

XFX
SEE IT·HEAR IT·FEEL IT
BATTLEFIELD
NVIDIA
PersonalCinema
DOOM

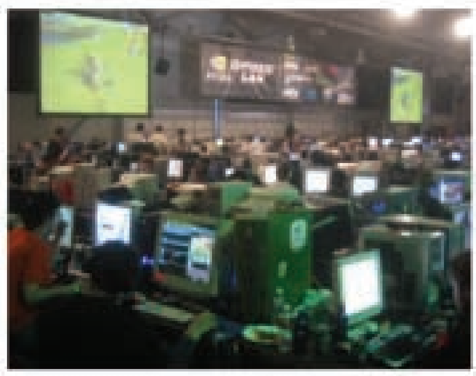
The only partner with top to bottom product line.


EXTREME
PC GARAGE

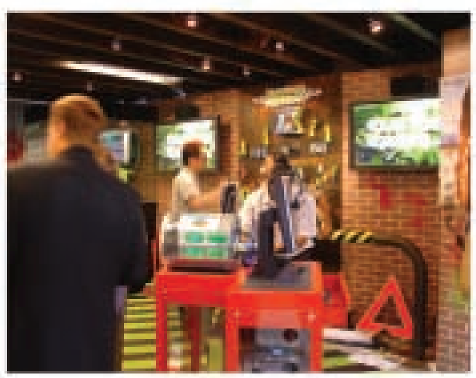

XFX


讯景显卡
EXPRESS
讯景显卡


NVIDIA




XFX
PC-KING



XFX is getting involved in the gaming community like no other manufacturer.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen
Mr. Xu Jian Hua

COMPLIANCE OFFICER

Mr. Chiu Hang Chin, Samson

COMPANY SECRETARY

Mr. Leung Yiu Ming

AUTHORISED REPRESENTATIVE

Mr. Chiu Hang Tai
Mr. Leung Yiu Ming

QUALIFIED ACCOUNTANT

Mr. Chan Yu Ming

AUDIT COMMITTEE

Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen
Mr. Xu Jian Hua

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
United Overseas Bank Group
Wing Hang Bank, Ltd.

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISERS

As to Bermuda Law:

Conyers Dill & Pearman

As to Hong Kong Law:

Fairbairn Catley Low & Kong

STOCK QUOTE

8013

WEBSITE OF THE COMPANY

www.pinegroup.com

CORPORATE PROFILE

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 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$264 million in financial year of 2005. It has been listed on the GEM board of the Hong Kong Stock Exchange (HKGEM: 8013) in 1999.

CHAIRMAN'S STATEMENT

We achieved another year of solid performance in 2004-2005. Our team delivered a net profit of US$2,347,000 in this year, representing a year-on-year improvement of 49.7% to the previous year's US$1,568,000, and a tremendous stride forward compared to the US$887,000 loss in the year of 2002-2003.

For two years in succession, after our restructuring of the Group and remodeling of the business, we witness a solid growth in both the revenue and profitability. Turnover was US$264,093,000, a 16.1% growth from the previous year's US$227,396,000. And the gross profit improved to US$22,555,000 from the previous year's US$19,964,000, while the gross margin reduced slightly to 8.5% from the last year's 8.8%.

At the same time, our debt-to-equity improved to 69.4% from last year's 71.6%, with cash on hand stayed at US$12,807,000 level.

I believe PINE is certainly on the right track and we will continue to move forward embracing the objectives and principles of delivering simplicity, predictability, and sustainable profitability to our shareholders.

CHAIRMAN'S STATEMENT

Business Review

Over the year, our XFX division has continued its massive momentum, contributing US$154,097,000 of revenue, which represents a growth of 45.6% to that of last year. This overwhelming result is indicative of the strong growing interest and demand of the XFX graphic card. What is even more encouraging is the fact that we have achieved a strong momentum growth in the Europe, Middle East & Asian regions, a growth by 46.4% and 49.2% respectively. This adds an important and strategic dimension to our growth pattern for the future as we see the recognition and demand of the XFX line of product has grown and branched out effectively from North America to other global markets which compose of vastly different end users attributes and decision making characteristics. This sets an expanded and solid base for a more evenly spread and geographically balanced growth of the coming future.

Our strategic partnership with our principal suppler nVidia has also reached a new height when we do the co-launching of the top-of-the-line GTX 7800GTX on June 21, 2005. We staged the smashing 24-pipelined gaming graphic card to over 300 gamers and 100 spectators in the Festival Pavilion at Fort Mason Center at Pier 3 San Francisco. The magnificent success of this time-critical launch underlines the close and effective partnership of both teams who been working hard-drivingly for months on this colossal project to ensure the product development, channels, customer groups, magazine reviews, marketing activities and all their launch-critical components are ready; and most importantly, enough goods are on shelf and ready to ship at various global sites at the time of the launch in the cities of San Francisco, Paris and Beijing. We successfully stormed the gaming community with this 1.25GHz, 860 million texels per second PCI-E graphic card delivering advanced visual effects for the next-generation games.

Turnover contributed from our Distribution Division has dropped by 9.5% to US$109,996,000 from the previous year of US$121,541,000, while its segment result has surged from US$608,000 to US$1,049,000. This is pretty much in line with our anew strategic priorities of putting profitability and operational efficiency above the revenue growth of the Distribution business.

CHAIRMAN'S STATEMENT

This year comes with particularly important meaning and we are proudly encouraged by our success of delivering a solid result in 2 consecutive years since the loss recording and loss of direction period of 2001-2003. Most importantly, over these two plus years, our team has put in place a highly simple and effective execution model, establishing a fast and flexible framework of operation and processes. Our aim is to leverage on this to manage the challenges and to capitalize the opportunities arises from this by nature fast moving industry.

Business Outlook

Looking beyond 2005, we are excited with the growth opportunity ahead of us. We believe that our business momentum will continue to grow in both revenue and profitability, thanks to our uniquely established and highly effective execution model which consistently producing excitements beyond our customers' expectation. And our team will sustain this by practicing our execution motto of Fast, Focus, Flexible, Friendly and Fun.

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers, employees and bankers for their continued support.

Chiu Hang Tai
Hong Kong, 22 September 2005

LIQUIDITY, FINANCIAL RESOURCES AND CHARGE OF GROUP ASSET

As at 30 June 2005, the Group's borrowings comprised mainly short-term loans of approximately US$34,443,000 (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$34,443,000 (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 30 June 2005, total pledged bank deposits, pledged investments in securities and all assets of certain subsidiaries as floating charges were amounted approximately US$2,365,000, US$362,000 and US$43,578,000 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$12,807,000 (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 year.

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 2005, the Group maintained similar level of staff, at market remuneration with employee benefits such as medical coverage, insurance plan, pension fund scheme, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was approximately US$8.8 million for the year end 30 June 2005 as compared with that of approximately US$7.8 million for the preceding financial year.

GEARING RATIO

As at 30 June 2005, the gearing ratio of the Group based on total liabilities over total assets was approximately 56.6%. (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 30 June 2005, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

THE GROUP

(1) In November 2004, Samtack Computer Inc., ("Samtack"), a wholly owned subsidiary of the Company, received notice that the Canadian Private Copying Collective ("CPCC") had filed a lawsuit against Samtack and 1559435 Ontario Inc., ("Ontario") an unrelated entity. CPCC alleges that Samtack jointly imported blank recording media with Ontraio that was subject to copying levies certified by the Copyright Board of Canada and for which CPCC claims it was jointly responsible for, and failed to pay. Currently, the litigation is in its early stage and examinations for discovery have yet to be

completed. Samtack has filed a counter-claim against Ontraio alleging Ontario was the importer and was responsible for payment to CPCC of any applicable private copying tariffs pursuant to the Copyright Act ("Act") as an importer, and for any reporting obligations under the Act, relating to the blank recording media. Should Samtack be unsuccessful in its defence of this claim, it could potentially be jointly liable for US$1,547,000 in outstanding levies. The defendants under this litigation are also jointly potentially liable for penalties of up to five times the outstanding levies.

(2) During the year, Eastcom Inc. ("Eastcom"), a wholly owned subsidiary of the Company, received notice that IFC Credit Corp. ("IFC"), the assignee of Norvergence, Inc. ("Novergence"), had filed a lawsuit against Eastcom to enforce a telephone service provider contract. Currently, the litigation is stalled as Novergence has been sued by various state attorney generals and the federal government to declare the telephone service provider contracts null as a matter of law. Eastcom has filed a counter-claim against IFC alleging fraud, among other claims. It alleges to have never received any of the promised benefits from the telephone service provider contract, but was expected to make the contractually agreed monthly payments. At least one state has declared all Novergence and Novergence assigned contracts unenforceable as a matter of law. Should Eastcom be unsuccessful in its defense against this lawsuit, it could potentially be liable for the entire contract amount of $130,000 plus interest, litigation costs and attorney's fees.

According to the independent legal advice, the two cases are still in their early stages and not able to comment as to the likelihood of an adverse outcome at this time. In the opinion of the directors, it is not probable that the Group will need to pay the potential liabilities, and the Group accordingly has not recorded a contingent loss for the damages in its operations for the year ended 30 June 2005. Management will review the likelihood of having to pay damages periodically, and report a contingent loss in operations in the period in which it becomes likely that the Group will have to pay to damages and the probable amount of the damages can be reasonably estimated.

THE COMPANY

(1) At 30 June 2005, 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$49,550,000 (2004: US$39,523,000) and US$8,446,000 (2004: US$4,834,000) respectively. The total amount of general banking facilities and credit facilities utilised by the subsidiaries as at 30 June 2005 amounted to approximately US$36,144,000 (2004: US$28,244,000) and US$3,108,000 (2004: US$3,064,000) respectively.

(2) The Company has given guarantees to Pioneer Electronics (USA) Inc. ("Pioneer"), a supplier of Eastcom to secure the liabilities and obligations of Eastcom to Pioneer. The extent of liabilities owed to Pioneer as at 30 June 2005 amounted to approximately US$727,000 (2004: Nil).

SEGMENT INFORMATION

Group brand products

Revenue growth by 46% to US$154,097,000 for the year (2004: US$105,855,000), the segment profit from group brand product surged to US$5,500,000 compared with US$3,928,000 in 2004. With innovative products, raised profile, brand equity, market recognition in its services quality and reliability, we were able to attract and retain high-tier customers to allow us speed up expansions into massive upgrade market and secure stable profitability.

Other brand products

The group has continuously conducted an overhaul of the revenue and profit characteristics of the other brands products for the purpose of optimizing the efficiency and profitability of this division. As such, the revenue of other brand products streamlined to US$109,996,000, a decrease of 9.5%, on the other hand, the segment profit from other brand product increased to US$1,049,000 compare with US$608,000 in 2004.

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chiu Hang Tai, aged 45, 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 sixteen 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 47, is the deputy-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 one 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 37, 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 two companies 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 in June, 2000.

Mr. So Hon Cheung, Stephen, aged 49, 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.

Mr. Xu Jian Hua, aged 42, was appointed as an independent non-executive Director in September 2004. He has over sixteen years experience in the commercial sector of the PRC. Except for the directorship in the Company, Mr. Xu does not hold any directorship in other companies listed companies in Hong Kong.

COMPANY SECRETARY

Mr. Leung Yiu Ming, aged 34, 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. Chan Yu Ming, aged 34, is the Qualified Accountant of the Group. Mr. Chan joined the Group in March 2005 and is the fellow member of the Association of Chartered Certified Accountants and associate member of the Hong Kong Institute of Certified Public Accountants, He has over 10 years of auditing, finance and IT experiences in various sizeable local and multinational listed companies.

MANAGEMENT PROFILE

SENIOR MANAGEMENT

Ms Ji Yeuh-Er, aged 40, is responsible for management of internal operations for North American offices as well as planning and overseeing the Group's corporate communications strategies and tactics. She hold a master degree in business administration from Pace University in the US. She has over eleven years experience in the financial industry and also served as the CFO and spokesperson for a Singapore-listed packaged food company. Ji joined the Group in March 2000.

Mr. Ng Khing Fah, **Royson**, aged 46, 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 40, 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 44, 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 33, 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

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2005, the top five suppliers of the Group together accounted for approximately 52% of the Group's total purchases and the largest supplier accounted for approximately 24% 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 2005, 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 2005 are set out in the consolidated income statement on page 19 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$2.3 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 – *Deputy Chairman*

Independent non-executive directors:
Mr. Li Chi Chung
Mr. So Hon Cheung, Stephen
Mr. Xu Jian Hua (appointed on 30 September 2004)

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

DIRECTORS' REPORT

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 2006 respectively. Mr. Xu Jian Hua was appointed for a term of 1 year expiring on 29 September 2005.

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 2005, 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)*	131,000,000	19.19%
Mr. Chiu Hang Chin, Samson	Beneficial owner	103,324,732	15.13%

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	6,176,000	6,176,000
Mr. Chiu Hang Chin, Samson	Beneficial owner	6,176,000	6,176,000

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 2005. 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 2005, 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 28 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. 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.

Details of share options outstanding as at 30 June 2005 which have been granted under the Old Scheme and the New 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 of share options at 1 July 2004	Granted	Number of share options at 30 June 2005
Old Scheme						
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
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
New Scheme						
Mr. Chiu Hang Tai	28.9.2004	1.11.2004 to 31.6.2009	0.149	–	4,000,000	4,000,000
Mr. Chiu Hang Chin, Samson	28.9.2004	1.11.2004 to 31.10.2009	0.149	–	4,000,000	4,000,000
				4,352,000	8,000,000	12,352,000

As at 22 September 2005, the number of shares in respect of which options had been granted under the share option schemes was 18,942,000, representing 2.77% of the shares of the Company in issue at that date.

The directors consider that it is not appropriate to disclose a theoretical value of the share options granted during the year since any valuation of the share options would be subjected to a number of assumptions which are subjective and uncertain.

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

Other than those disclosed in directors' interests in shares, as at 30 June 2005, 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
Alliance Express Group Limited	Beneficial owner *(Note 1)*	131,000,000	19.19%
Concept Express Investments Limited	Beneficial owner *(Note 2)*	122,760,000	17.98%
The estate of Mr. Chiu Kwong Chi	Held by controlled corporations *(Note 2)*	122,760,000	17.98%

Notes:

1. These shares are beneficially owned by and registered in the name of Alliance Express Group Limited. Alliance Express Group Limited is incorporated in the BVI and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai.

2. These shares are beneficially owned by and registered in the name of Concept Express Investments Limited. Concept Express Investments Limited is incorporated in the BVI and its entire issued share capital is beneficially owned as to 47.82 per cent. by the estate of Mr. Chiu Kwong Chi (who passed away on 25 June 2005) and as to 26.09 per cent. by each of Mr. Chiu Hang Tung and Ms. Chiu Man Wah. Mr. Chiu Kwong Chi is the father of Mr. Chiu Hang Tung, Ms. Chiu Man Wah, Mr. Chiu Hang Chin, Samson and 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 2005.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 37(a) to the financial statements:

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

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

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share options as set out in note 28 to the financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2005.

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 three independent non-executive directors of the Company, namely, Messrs. Li Chi Chung, So Hon Cheung, Stephen and Xu Jian Hua.

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

For the year ended 30 June 2005, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to Code on Corporate Governance Practice and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 30 June 2006.

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 2005, the following entities had trading balances with the Group exceeded 8% of the Company's total market capitalisation:

Name of entity	US$	% of total market capitalization
PC IZZI	2,112,000	17%
Micro Informatica LLC	1,420,000	11%
Best Buy Canada Limited	1,106,000	9%

The above entities are independent of any of the Directors, chief executives of the Group, the management shareholders and the substantial shareholders (within the meaning of the GEM Listing Rules). Such amount represented the outstanding balances of certain sales transactions entered into by the Group in its ordinary course of business and on normal commercial terms. The balances are unsecured, interest free, and with payment terms in region of forty five 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, 22 September 2005

AUDITORS' REPORT

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 19 to 59 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 2005 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

22 September 2005

Consolidated Income Statement

For the year ended 30 June 2005

	NOTES	**2005** US$'000	2004 US$'000
Turnover	4	**264,093**	227,396
Cost of sales		**(241,538)**	(207,432)
Gross profit		**22,555**	19,964
Other operating income		**559**	254
Selling and distribution expenses		**(4,720)**	(3,554)
General and administrative expenses		**(13,448)**	(13,271)
Profit from operations	5	**4,946**	3,393
Share of results of a jointly controlled entity		**72**	5
Finance costs	6	**(1,805)**	(1,559)
Profit before taxation		**3,213**	1,839
Taxation	9	**(701)**	(145)
Profit before minority interests		**2,512**	1,694
Minority interests		**(165)**	(126)
Net profit for the year		**2,347**	1,568
Earnings per share	10		
Basic (US cents)		**0.34**	0.23
Diluted (US cents)		**N/A**	N/A

Consolidated Balance Sheet

At 30 June 2005

	NOTES	2005 US$'000	2004 US$'000
Non-current assets			
Property, plant and equipment	11	**4,472**	5,791
Development costs	12	**296**	246
Technical know-how	13	**–**	–
Trademarks	14	**65**	69
Investments in securities	16	**744**	1,926
Interest in a jointly controlled entity	17	**5,175**	5,103
Goodwill	18	**–**	95
Deferred taxation	30	**263**	124
		11,015	13,354
Current assets			
Inventories	19	**31,933**	26,281
Trade and other receivables	20	**56,944**	47,837
Amount due from a jointly controlled entity		**–**	247
Pledged bank deposits	22	**2,365**	4,958
Bank balances and cash		**12,807**	7,548
		104,049	86,871
Current liabilities			
Trade and other payables	23	**25,343**	16,146
Bills payable		**4,808**	2,367
Amount due to a jointly controlled entity		**17**	–
Tax payable		**420**	513
Obligations under finance leases	24	**16**	–
Bank borrowings – due within one year	25	**31,335**	29,453
Other borrowings	26	**3,108**	3,064
		65,047	51,543
Net current assets		**39,002**	35,328
		50,017	48,682

Consolidated Balance Sheet

At 30 June 2005

	NOTES	2005 US$'000	2004 US$'000
Capital and reserves			
Share capital	27	**8,790**	8,790
Share premium and reserves	29	**40,899**	38,412
		49,689	47,202
Minority interests		**292**	186
Non-current liabilities			
Obligations under finance leases	24	**36**	–
Bank borrowings – due after one year	25	**–**	1,294
		36	1,294
		50,017	48,682

The financial statements on pages 19 to 59 were approved and authorised for issue by the Board of Directors on 22 September 2005 and are signed on its behalf by:

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

Balance Sheet
At 30 June 2005

	NOTES	**2005** **US$'000**	2004 US$'000
Non-current assets			
Trademarks	14	**9**	10
Investments in subsidiaries	15	**9,087**	9,087
		9,096	9,097
Current assets			
Amounts due from subsidiaries	21	**30,948**	30,819
Bank balances		**3**	132
		30,951	30,951
		40,047	40,048
Capital and reserves			
Share capital	27	**8,790**	8,790
Share premium and reserves	29	**31,257**	31,258
		40,047	40,048

Chiu Hang Tai
DIRECTOR

Chiu Hang Chin, Samson
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2005

	Total equity
	US$'000
At 1 July 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
Exchange differences on translation of overseas operations	661
Deficit on revaluation of investments in securities	(1,182)
Net profit not recognised in the income statement	(521)
Impairment loss recognised on goodwill	142
Impairment loss recognised on investments in securities	519
Net profit for the year	2,347
At 30 June 2005	49,689

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	2005	2004
	US$'000	US$'000
OPERATING ACTIVITIES		
Profit from operations	**4,946**	3,393
Adjustments for:		
Interest income	**(35)**	(46)
Net loss (gain) on disposal of property, plant and equipment	**204**	(78)
Allowance for doubtful debts	**754**	2,569
Allowance for inventories	**428**	207
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	**226**	90
Impairment loss recognised on investments in securities	**519**	–
Amortisation of development costs	**315**	382
Amortisation of technical know-how	**–**	198
Amortisation of trademarks	**6**	5
Amortisation of goodwill	**11**	11
Depreciation and amortisation of property, plant and equipment	**1,279**	1,472
Operating cash flow before movements in working capital	**8,653**	8,203
Increase in inventories	**(5,546)**	(4,790)
Increase in trade and other receivables	**(9,121)**	(1,833)
Decrease (increase) in amount due from a jointly controlled entity	**264**	(175)
Increase (decrease) in trade and other payables	**8,826**	(208)
Increase in bills payable	**2,441**	843
Cash generated from operations	**5,517**	2,040
Interest paid on bank borrowings	**(1,373)**	(1,288)
Interest paid on other borrowings	**(432)**	(271)
Overseas tax paid	**(964)**	(10)
Overseas tax refunded	**–**	85
NET CASH FROM OPERATING ACTIVITIES	**2,748**	556

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	2005	2004
	US$'000	US$'000
INVESTING ACTIVITIES		
Interest received	35	46
Proceeds from disposal of property, plant and equipment	2,352	157
Purchase of property, plant and equipment	(2,283)	(511)
Development expenditure incurred	(365)	(267)
Acquisition of trademark	(2)	–
Decrease in pledged bank deposits	2,674	849
NET CASH FROM INVESTING ACTIVITIES	2,411	274
FINANCING ACTIVITIES		
New bank borrowings raised	4,646	863
Other borrowings raised	44	872
Repayment of bank borrowings	(4,769)	(6,585)
Repayment of obligations under finance leases	(12)	–
NET CASH USED IN FINANCING ACTIVITIES	(91)	(4,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,068	(4,020)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,526	11,521
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	213	25
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12,807	7,526
Being:		
Bank balances and cash	12,807	7,548
Bank overdrafts	–	(22)
	12,807	7,526

1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 38.

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

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combinations for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30 June 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

Goodwill arising on acquisitions 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

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

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

Impairment

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

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

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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.

4. TURNOVER AND SEGMENT INFORMATION

Turnover

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

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments

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

Segment information about these businesses is presented below:

2005

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
REVENUE			
External sales	154,097	109,996	264,093
RESULT			
Segment result	5,500	1,049	6,549
Unallocated other operating income			35
Impairment loss recognised on goodwill			(226)
Impairment loss recognised on investment in securities			(519)
Unallocated corporate expenses			(893)
Profit from operations			4,946
Share of results of a jointly controlled entity		72	72
Finance costs			(1,805)
Profit before taxation			3,213
Taxation			(701)
Profit before minority interests			2,512
Minority interests			(165)
Net profit for the year			2,347

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continiued)*

BALANCE SHEET

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
ASSETS			
Segment assets	79,902	26,615	106,517
Interest in a jointly controlled entity		5,175	5,175
Unallocated corporate assets			3,372
Consolidated total assets			115,064
LIABILITIES			
Segment liabilities	23,371	6,849	30,220
Unallocated corporate liabilities			34,863
Consolidated total liabilities			65,083

OTHER INFORMATION

	Group brand products US$'000	Other brand products US$'000	Consolidated US$'000
Capital expenditure	2,336	378	2,714
Depreciation and amortisation	1,367	244	1,611
Allowance for doubtful debts	–	754	754
Allowance for inventories	318	110	428

4. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continiued)*

2004

	Group brand products US$'000	Other brand products US$'000	Consolidated 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)*

Business segments *(Continiued)*

BALANCE SHEET

	Group brand products US$'000	Other brand products US$'000	Consolidated 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
Consolidated total assets			100,225
LIABILITIES			
Segment liabilities	11,002	7,532	18,534
Unallocated corporate liabilities			34,303
Consolidated total liabilities			52,837

OTHER INFORMATION

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

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	
	2005	2004
	US$'000	US$'000
North America	**157,033**	155,882
Europe	**50,212**	30,384
Asia	**53,666**	36,959
Others	**3,182**	4,171
	264,093	227,396

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	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
North America	**36,759**	30,480	**474**	230
Europe	**7,727**	5,566	**96**	72
Asia	**70,028**	63,592	**2,144**	476
Others	**550**	587	**–**	–
	115,064	100,225	**2,714**	778

5. PROFIT FROM OPERATIONS

	2005	2004
	US$'000	US$'000
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts	754	2,569
Allowance for inventories	428	207
Amortisation charges included in general and administrative expenses:		
Development costs	315	382
Technical know-how	–	198
Trademarks	6	5
Goodwill	11	11
Auditors' remuneration	301	213
Depreciation and amortisation of property, plant and equipment	1,279	1,472
Exchange loss	72	30
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries included in general and administrative expenses	226	90
Impairment loss recognised on investment in securities included in general and administrative expenses	519	–
Loss on disposal of property, plant and equipment	204	–
Operating lease rentals in respect of land and buildings	964	652
Research and development costs charged for the year	635	190
Staff costs including directors' remuneration	8,848	7,778
and after crediting:		
Gain on disposal of property, plant and equipment	–	78
Interest income	35	46

6. FINANCE COSTS

	2005	2004
	US$'000	US$'000
Interest on bank borrowings wholly repayable within five years	1,373	1,223
Interest on bank borrowings not wholly repayable within five years	–	65
Interest on other borrowings wholly repayable within five years	432	271
	1,805	1,559

7. DIRECTORS' REMUNERATION

	2005 US$'000	2004 US$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	**43**	32
	43	32
Other emoluments to executive directors:		
Basic salaries and other benefits	**285**	307
Retirement benefits scheme contributions	**2**	2
	287	309
	330	341

The details emoluments of the directors are as follows:

	Basic salaries and other benefits		Retirements benefits scheme contributions		Total	
	2005 US$'000	2004 US$'000	**2005 US$'000**	2004 US$'000	**2005 US$'000**	2004 US$'000
Executive directors						
Mr. Chiu Hang Tai	**161**	190	**2**	2	**163**	192
Mr. Chiu Hang Chin, Samson	**124**	117	**–**	–	**124**	117
	285	307	**2**	2	**287**	309
Independent non-executive directors						
Mr. Li Chi Chung	**16**	16	**–**	–	**16**	16
Mr. So Hon Cheung, Stephen	**16**	16	**–**	–	**16**	16
Mr. Xu Jian Hua	**11**	–	**–**	–	**11**	–
	43	32	**–**	–	**43**	32
	328	339	**2**	2	**330**	341

8. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included two (2004: two) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining three (2004: three) individuals are as follows:

	2005	2004
	US$'000	US$'000
Basic salaries and other benefits	**396**	345
Retirement benefits scheme contributions	**–**	13
	396	358

Their emoluments were within the following bands:

	2005	2004
	Number of employees	Number of employees
Nil to US$129,000	**1**	1
US$129,001 to US$193,000	**2**	2

During each of the two years ended 30 June 2005, 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 2005.

9. TAXATION

	2005	2004
	US$'000	US$'000
The charge (credit) comprises:		
Profit for the year		
– other region in the People's Republic of China ("PRC")	**426**	–
– other jurisdictions	**438**	576
Overprovision in prior year		
– other jurisdictions	**(30)**	(13)
	834	563
Deferred taxation *(note 30)*	**(133)**	(418)
Taxation attributable to the Company and its subsidiaries	**701**	145

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.

Income tax in United States of America is calculated at 40% of the estimated assessable profit for the year.

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

Pursuant to the relevant laws and regulations in PRC, the Company's PRC subsidiary, 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 QET started from 1 January 2002.

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

	2005 US$'000	2004 US$'000
Profit before taxation	**3,213**	1,839
Tax charge at the applicable tax rate of 40% (2004: 40%) *(note)*	**1,285**	736
Tax effect of expenses not deductible for tax purpose	**949**	750
Tax effect of income not taxable for tax purpose	**(792)**	(1,002)
Tax effect of tax losses not recognised	**54**	37
Utilisation of tax losses previously not recognised	**(614)**	(228)
Overprovision in respect of prior year	**(30)**	(13)
Income tax at concessionary tax rate	**(89)**	(6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(123)**	(27)
Effect of share of results of a jointly controlled entity	**(29)**	(2)
Others	**90**	(100)
Tax charge for the year	**701**	145

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

10. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year of US$2,347,000 (2004: US$1,568,000) and on 682,786,000 ordinary shares in issue during both years.

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 US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Furniture, fixtures and equipment US$'000	Computer equipment US$'000	Total US$'000
THE GROUP							
COST							
At 1 July 2004	2,330	3,374	4,565	64	1,106	1,448	12,887
Exchange adjustments	160	9	35	4	15	26	249
Additions	–	193	1,822	57	66	209	2,347
Disposals	(2,490)	(140)	(400)	(43)	(235)	(23)	(3,331)
At 30 June 2005	–	3,436	6,022	82	952	1,660	12,152
DEPRECIATION AND AMORTISATION							
At 1 July 2004	135	1,933	3,080	37	862	1,049	7,096
Exchange adjustments	10	9	25	3	10	23	80
Provided for the year	19	332	620	14	102	192	1,279
Eliminated on disposals	(164)	(137)	(249)	(37)	(167)	(21)	(775)
At 30 June 2005	–	2,137	3,476	17	807	1,243	7,680
NET BOOK VALUES							
At 30 June 2005	–	1,299	2,546	65	145	417	4,472
At 30 June 2004	2,195	1,441	1,485	27	244	399	5,791

The net book value of furniture, fixture and equipment includes an amount of US$56,000 (2004: Nil) in respect of assets held under finance lease.

At 30 June 2004, the Group has pledged the freehold land and buildings with a net book value of approximately US$2,195,000 to secure general banking facilities granted to the Group.

12. DEVELOPMENT COSTS

	US$'000
THE GROUP	
COST	
At 1 July 2004	6,672
Exchange adjustments	46
Additions	365
At 30 June 2005	7,083
AMORTISATION	
At 1 July 2004	6,426
Exchange adjustments	46
Provided for the year	315
At 30 June 2005	6,787
NET BOOK VALUES	
At 30 June 2005	296
At 30 June 2004	246

The amortisation period adopted for development costs is two years.

13. TECHNICAL KNOW-HOW

	US$'000
THE GROUP	
COST	
At 1 July 2004 and 30 June 2005	1,367
Written off	(1,367)
	–
AMORTISATION	
At 1 July 2004	1,367
Eliminated on written off	(1,367)
At 30 June 2005	–
NET BOOK VALUES	
At 30 June 2005	–
At 30 June 2004	–

The technical know-how was acquired for producing MP3 players and was amortised ranges from two to five years. The asset was fully written off as a result of cessation of MP3 production during the year.

14. TRADEMARKS

	US$'000
THE GROUP	
COST	
At 1 July 2004	108
Addition	2
At 30 June 2005	110
AMORTISATION	
At 1 July 2004	39
Provided for the year	6
At 30 June 2005	45
NET BOOK VALUES	
At 30 June 2005	65
At 30 June 2004	69
THE COMPANY	
COST	
At 1 July 2004 and 30 June 2005	12
AMORTISATION	
At 1 July 2004	2
Provided for the year	1
At 30 June 2005	3
NET BOOK VALUES	
At 30 June 2005	9
At 30 June 2004	10

The amortisation period adopted for trademarks is twenty years.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	US$'000	US$'000
Unlisted shares	**9,087**	9,087

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

Particulars of the Company's subsidiaries at 30 June 2005 are set out in note 38.

16. INVESTMENTS IN SECURITIES

	THE GROUP	
	2005	2004
	US$'000	US$'000
Other securities at market value:		
Listed	**744**	1,926

The Group has pledged the investments in securities with an aggregate carrying amount of approximately US$362,000 (2004: US$938,000) to secure general banking facilities granted to the Group.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2005	2004
	US$'000	US$'000
Share of net assets	**5,175**	5,103

As at 30 June 2005, 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 2004 and 30 June 2005	218
AMORTISATION AND IMPAIRMENT	
At 1 July 2004	123
Provided for the year	11
Impairment loss recognised in the income statement	84
At 30 June 2005	218
NET BOOK VALUES	
At 30 June 2005	–
At 30 June 2004	95

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	
	2005	2004
	US$'000	US$'000
Raw materials	**10,033**	6,775
Work in progress	**5,284**	3,281
Finished goods	**16,616**	16,225
	31,933	26,281

Included above are raw materials of nil (2004: US$6,775,000) and finished goods of US$1,452,000 (2004: US$6,605,000) 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	
	2005	2004
	US$'000	US$'000
Current	**35,314**	24,481
1 to 30 days	**9,240**	10,634
31 to 60 days	**1,725**	2,553
61 to 90 days	**1,380**	1,775
Over 90 days	**3,215**	2,609
Trade receivables	**50,874**	42,052
Deposits, prepayments and other receivables	**6,070**	5,785
	56,944	47,837

21. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The balances are unsecured, interest free and repayable on demand.

22. PLEDGED BANK DEPOSITS

THE GROUP

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

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable:

	THE GROUP	
	2005	2004
	US$'000	US$'000
Current	**13,426**	6,725
1 to 30 days	**3,824**	2,327
31 to 60 days	**1,746**	975
61 to 90 days	**253**	557
Over 90 days	**559**	1,248
Trade payables	**19,808**	11,832
Deposits in advance, accruals and other payables	**5,535**	4,314
	25,343	16,146

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable under finance leases				
Within one year	**22**	–	**16**	–
In the second to fifth years inclusive	**37**	–	**36**	–
	59	–	**52**	–
Less: future finance charges	**(7)**	–	**N/A**	N/A
Present value of lease obligations	**52**	–	**52**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16)**	–
Amount due for settlement after 12 months			**36**	–

It is Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 30 June 2005, the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement have been entered into for contingent rental payments.

25. BANK BORROWINGS

	THE GROUP	
	2005	2004
	US$'000	US$'000
Secured bank borrowings comprise the following:		
Trust receipts and import loans	**14,299**	14,491
Other bank loans	**17,036**	16,234
Bank overdrafts	**–**	22
	31,335	30,747
The bank borrowings are repayable as follows:		
On demand or within one year	**31,335**	29,453
More than one year, but not exceeding two years	**–**	169
More than two years, but not exceeding five years	**–**	507
More than five years	**–**	618
	31,335	30,747
Less: amounts due within one year shown under current liabilities	**(31,335)**	(29,453)
Amounts due after one year	**–**	1,294

26. 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 32.

27. SHARE CAPITAL

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

	Number of shares	Value	United States dollars equivalent
		HK$'000	US$'000
Ordinary shares of HK$0.1 each:			
Authorised			
At 1 July 2002, 30 June 2004 and 30 June 2005	2,000,000,000	200,000	25,747
Issued and fully paid			
At 1 July 2002, 30 June 2004 and 30 June 2005	682,786,000	68,279	8,790

28. 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 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 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.

28. SHARE OPTIONS *(Continued)*

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.

Details of the share options granted under the Old Scheme and the New Scheme during the two years ended 30 June 2005 to subscribe for the shares in the Company are as follows:

2005

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price	Number of share options at 1 July 2004	Granted	Lapsed	Cancelled	Number of share options at 30 June 2005
				HK$					
Old Scheme									
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
					4,352,000	–	–	–	4,352,000
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 – 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
					2,804,000	–	698,000	–	2,106,000
Others	31.1.2000	31.1.2000 – 27.1.2001	28.1.2001 – 27.1.2006	1.674	432,000	–	–	44,000	388,000
	31.1.2000	31.1.2000 – 27.1.2002	28.1.2002 – 27.1.2007	1.674	360,000	–	–	30,000	330,000
	10.7.2000	10.7.2000 – 9.7.2001	10.7.2001 – 9.7.2004	1.056	144,000	–	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	3,094,000	–	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
					8,216,000	–	3,238,000	74,000	4,904,000
					15,372,000	–	3,936,000	74,000	11,362,000
New Scheme									
Directors	28.9.2004	28.9.2004 – 31.10.2004	1.11.2004 – 31.10.2009	0.149	–	8,000,000	–	–	8,000,000
					15,372,000	8,000,000	3,936,000	74,000	19,362,000

28. SHARE OPTIONS *(Continued)*

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
Old Scheme								
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	–	–
					6,528,000	2,176,000	–	4,352,000
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
					3,350,000	546,000	–	2,804,000
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	–
					10,872,000	572,000	2,084,000	8,216,000
					20,750,000	3,294,000	2,084,000	15,372,000

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.

29. SHARE PREMIUM AND RESERVES

	Share premium account US$'000	Surplus account US$'000	Exchange reserve US$'000	Goodwill reserve US$'000	Capital reserve US$'000	Investments revaluation reserve US$'000	Accumulated profits US$'000	Total US$'000
THE GROUP								
Balance at 1 July 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
Exchange differences on translation of overseas operations	–	–	661	–	–	–	–	661
Impairment loss recognised on goodwill	–	–	–	142	–	–	–	142
Revaluation decrease	–	–	–	–	–	(1,182)	–	(1,182)
Impairment loss recognised on investment in securities	–	–	–	–	–	519	–	519
Net profit for the year	–	–	–	–	–	–	2,347	2,347
Balance at 30 June 2005	22,215	2,954	817	(1,436)	67	(778)	17,060	40,899

	Share premium account US$'000	Contributed surplus US$'000	Accumulated profits US$'000	Total US$'000
THE COMPANY				
Balance at 1 July 2003	22,215	9,035	9	31,259
Loss for the year	–	–	(1)	(1)
Balance at 30 June 2004	22,215	9,035	8	31,258
Loss for the year	–	–	(1)	(1)
Balance at 30 June 2005	22,215	9,035	7	31,257

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 (2004: US$1,000) in respect of negative goodwill. Impairment loss amounting to US$142,000 (2004: Nil) were recognised in current period in respect of goodwill.

29. SHARE PREMIUM AND RESERVES *(Continued)*

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.

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

	2005	2004
	US$'000	US$'000
Contributed surplus	**9,035**	9,035
Accumulated profits	**7**	8
	9,042	9,043

30. 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 2003	(19)	–	(114)	425	292
(Credit) charge to income statement for the year	60	(113)	79	(444)	(418)
Exchange differences	–	–	–	2	2
At 1 July 2004	41	(113)	(35)	(17)	(124)
(Credit) charge to income statement for the year	26	(8)	22	(173)	(133)
Exchange differences	(4)	–	(1)	(1)	(6)
At 30 June 2005	63	(121)	(14)	(191)	(263)

30. DEFERRED TAXATION *(Continued)*

THE GROUP *(Continiued)*

At 30 June 2005, the Group has unutilised estimated tax losses of approximately US$1,107,000 (2004: US$2,546,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$79,000 (2004: US$203,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of US$1,029,000 (2004: US$2,343,000) due to the unpredictability of future profit streams.

31. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases arrangements in respect of assets with a total capital value at inception of the leases of US$64,000 (2004: nil).

32. 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$37,691,000 (2004: US$27,848,000) granted to the Group at 30 June 2005. The total facilities secured by such floating charges and utilised by the Group as at 30 June 2005 amounted to US$19,118,000 (2004: US$16,410,000). Details of the assets that have been pledged to banks under such floating charges are as follows:

	THE GROUP	
	2005	2004
	US$'000	US$'000
Property, plant and equipment	**590**	273
Inventories	**14,168**	13,642
Trade and other receivables	**24,909**	19,740
Bank balances and cash	**3,911**	1,368
	43,578	35,023

33. OPERATING LEASE ARRANGEMENTS

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

	THE GROUP	
	2005	2004
	US$'000	US$'000
Within one year	**666**	661
Later than one year and not later than five years	**1,352**	1,403
Later than five years	**–**	316
	2,018	2,380

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

34. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	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	**2,106**	126

35. CONTINGENT LIABILITIES

THE GROUP

(1) In November 2004, Samtack Computer Inc., ("Samtack"), a wholly owned subsidiary of the Company, received notice that the Canadian Private Copying Collective ("CPCC") had filed a lawsuit against Samtack and 1559435 Ontario Inc., ("Ontario") an unrelated entity. CPCC alleges that Samtack jointly imported blank recording media with Ontraio that was subject to copying levies certified by the Copyright Board of Canada and for which CPCC claims it was jointly responsible for, and failed to pay. Currently, the litigation is in its early stage and examinations for discovery have yet to be completed. Samtack has filed a counter-claim against Ontraio alleging Ontario was the importer and was responsible for payment to CPCC of any applicable private copying tariffs pursuant to the Copyrigh Act ("Act") as an importer, and for any reporting obligations under the Act, relating to the blank recording media. Should Samtack be unsuccessful in its defence of this claim, it could potentially be jointly liable for US$1,547,000 in outstanding levies. The defendants under this litigation are also jointly potentially liable for penalties of up to five times the outstanding levies.

(2) During the year, Eastcom Inc. ("Eastcom"), a wholly owned subsidiary of the Company, received notice that IFC Credit Corp. ("IFC"), the assignee of Norvergence, Inc. ("Novergence"), had filed a lawsuit against Eastcom to enforce a telephone service provider contract. Currently, the litigation is stalled as Novergence has been sued by various state attorney generals and the federal government to declare the telephone service provider contracts null as a matter of law. Eastcom has filed a counter-claim against IFC alleging fraud, among other claims. It alleges to have never received any of the promised benefits from the telephone service provider contract, but was expected to make the contractually agreed monthly payments. At least one state has declared all Novergence and Novergence assigned contracts unenforceable as a matter of law. Should Eastcom be unsuccessful in its defense against this lawsuit, it could potentially be liable for the entire contract amount of $130,000 plus interest, litigation costs and attorney's fees.

According to the independent legal advice, the two cases are still in their early stages and not able to comment as to the likelihood of an adverse outcome at this time. In the opinion of the directors, it is not probable that the Group will need to pay the potential liabilities, and the Group accordingly has not recorded a contingent loss for the damages in its operations for the year ended 30 June 2005. Management will review the likelihood of having to pay damages periodically, and report a contingent loss in operations in the period in which it becomes likely that the Group will have to pay to damages and the probable amount of the damages can be reasonably estimated.

35. CONTINGENT LIABILITIES *(Continued)*

THE COMPANY

(1) At 30 June 2005, 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$49,550,000 (2004: US$39,523,000) and US$8,446,000 (2004: US$4,834,000) respectively. The total amount of general banking facilities and credit facilities utilised by the subsidiaries as at 30 June 2005 amounted to approximately US$36,144,000 (2004: US$28,244,000) and US$3,108,000 (2004: US$3,064,000) respectively.

(2) The Company has given guarantees to Pioneer Electronics (USA) Inc. ("Pioneer"), a supplier of Eastcom to secure the liabilities and obligations of Eastcom to Pioneer. The extent of liabilities owed to Pioneer as at 30 June 2005 amounted to approximately US$727,000 (2004: Nil).

36. 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.

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	
	2005	2004
	US$'000	US$'000
Gross retirement benefits scheme contributions	**91**	69
Less: Forfeited contributions for the year	**(8)**	(32)
Net retirement benefits scheme contributions	**83**	37

36. RETIREMENT BENEFITS SCHEMES *(Continued)*

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

37. RELATED PARTY TRANSACTIONS

(a) At 30 June 2005, Mr. Chiu Hang Chin, Samson had assigned his life insurance policy in the face amount of not less than US$2,000,000 (2004: US$2,000,000) to a bank to secure general banking facilities granted to the Group amounting to US$15,000,000 (2004: US$10,000,000). The facilities utilised at 30 June 2005 amounted to US$8,568,000 (2004: US$8,024,000).

(b) During the year, the Group sold raw materials to, received subcontracting income and rental income from the jointly controlled entity amounting to nil (2004: US$141,000), US$936,000 (2004: US$676,000) and US$17,000 (2004: Nil) respectively. The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

The amount owed to the jointly controlled entity at 30 June 2005 was US$17,000 (amount owed by the jointly controlled entity in 2004: US$247,000). The balance is unsecured, interest free and has a credit period of 30 days. At 30 June 2005, US$17,000 fall into the age group of 1 to 30 days. At 30 June 2004, US$106,000 and US$141,000 fell into the age groups of overdue 1 to 30 days and overdue over 90 days respectively.

(c) At 30 June 2004, Mr. Chiu Hang Tai and Chiu Hang Chin, Samson, directors 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. The personal guarantee has been released during the year.

38. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 30 June 2005 were as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
E23 Inc.	Samoa/PRC	US$10,000	100	Wholesaling and distribution of computer components
Eagle Technology Inc.	Samoa	US$1	100	Investment holding
Eastcom (Alternate names: Pine Technology Inc., Samtack USA Inc. and XFX Technology USA)	United States of America	US$1,000	100	Wholesaling and distribution of computer components

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

38. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/ contributed capital*	Proportion of nominal value of issued capital/ registered capital held by the Company %	Principal activities
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	Taiwan	NT79,300,000	90.08	Inactive
Quality Eagle Limited	Samoa	US$1	100	Investment holding
Quality Eagle Technology Dongguan Ltd (品嘉電子(東莞)有限公司)	PRC	HK$14,993,898*	100 *(Note c)*	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
XFX Creation Inc.	British Virgin Islands	US$1	100	Trademarks holding
松景科技股份有限公司	Taiwan	NT51,000,000	55.4277	Inactive

38. 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) Subsidiary in the PRC is a wholly foreign owned enterprise.

None of the subsidiaries had any debt securities outstanding at 30 June 2005 or at any time during the year.

Financial Summary

	Year ended 30 June				
	2001	2002	2003	2004	**2005**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	297,434	238,259	226,910	227,396	**264,093**
Cost of sales	(271,285)	(217,086)	(209,284)	(207,432)	**(241,538)**
Gross profit	26,149	21,173	17,626	19,964	**22,555**
Other operating income	633	803	1,116	254	**559**
Selling and distribution expenses	(6,211)	(4,021)	(3,792)	(3,554)	**(4,720)**
General and administrative expenses	(17,499)	(16,084)	(13,329)	(13,271)	**(13,448)**
Profit from operations	3,072	1,871	1,621	3,393	**4,946**
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	**72**
Finance costs	(2,464)	(1,642)	(2,235)	(1,559)	**(1,805)**
Profit (loss) before taxation	1,186	198	(666)	1,839	**3,213**
Taxation	(255)	(43)	(215)	(145)	**(701)**
Profit (loss) before minority interests	931	155	(881)	1,694	**2,512**
Minority interests	–	248	(6)	(126)	**(165)**
Net profit (loss) for the year	931	403	(887)	1,568	**2,347**

	As at 30 June				
	2001	2002	2003	2004	**2005**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	91,006	104,671	103,542	100,225	**115,064**
Total liabilities	(45,718)	(56,141)	(56,477)	(52,837)	**(65,083)**
Minority interests	564	(54)	(58)	(186)	**(292)**
Shareholders' funds	45,852	48,476	47,007	47,202	**49,689**

PINE

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