



Messenger - Joe Gamer

Conversation Contact Edit Help View

Joe Gamer


Joe Gamer: Your GeForce 7800 GTX is pretty awesome. I just got it a few days ago and the graphics quality is really unbelievable.

AFX Insider: We've tested it on over 60 game titles and they were all smooth like butter.

Joe Gamer: Wow! It's great that you guys are looking that far ahead for gamers.

AFX Insider: Well we try our best to make sure you'll get the best experience possible and it prepares us to deliver the next best technology before you even ask for it.

Joe Gamer: At least I know I can always trust in AFX you the gamer to tell us

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Document - Pine 2006 Interim Report

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2006

INTERIM REPORT

THE MARKET IS LISTENING

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PINE 

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

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

HIGHLIGHTS FOR THE HALF-YEARLY PERIOD

- Revenue reported at approximately US\$98,096,000 for the Quarterly Period.
- Net profit attained at approximately US\$850,000 for the Quarterly Period.

INTERIM RESULTS

On behalf of the board of the directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”), I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months (the “Half-Yearly Period”) and the three months (the “Quarterly Period”) ended 31 December 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the Half-Yearly and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 2004 are as follows:

	Notes	Unaudited			
		Six months ended		Three months ended	
		31 December		31 December	
		2005	2004	2005	2004
		US\$'000	US\$'000	US\$'000	US\$'000
Turnover	2	174,308	126,375	98,096	69,633
Cost of sales		(159,605)	(116,694)	(89,836)	(63,777)
Gross profit		14,703	9,681	8,260	5,856
Other operating income		347	274	268	117
Profit from operations		2,491	1,771	1,529	1,193
Share of results of associate		51	–	51	–
Share of results of a jointly controlled entity		–	(4)	–	4
Finance costs		(1,259)	(798)	(753)	(461)
Profit before taxation	3	1,283	969	827	736
Taxation	4	(208)	(225)	(141)	(195)
Profit after taxation		1,075	744	686	541
Minority interests		184	100	164	65
Profit for the period		1,259	844	850	606
Earnings per share (US cents)	5				
– Basic		0.184	0.124	0.124	0.089
– Diluted		N/A	N/A	0.124	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 31 December 2005, together with the audited balance sheet as at 30 June 2005 are as follows:

		(Unaudited) 31 December 2005 US\$'000	(Audited) 30 June 2005 US\$'000
	Notes		
Non-current assets			
Property, plant and equipment		5,694	4,472
Development costs		296	296
Trademarks		65	65
Investments in securities		739	744
Investments in associate		2,597	–
Investments in a jointly controlled entity		–	5,175
Deferred taxation		263	263
		<u>9,654</u>	<u>11,015</u>
Current assets			
Inventories		54,388	31,933
Trade and other receivables	6	85,383	56,944
Taxation recoverable		46	–
Pledged bank deposits		2,469	2,365
Bank balances and cash		7,003	12,807
		<u>149,289</u>	<u>104,049</u>
Current liabilities			
Trade and other payables	7	47,137	25,343
Bills payable		1,981	4,808
Amount due to a jointly controlled entity		–	17
Tax payable		578	420
Obligations under finance leases		12	16
Bank borrowings – due within one year		49,299	31,335
Other borrowings		8,382	3,108
		<u>107,389</u>	<u>65,047</u>
Net current assets		<u>41,900</u>	<u>39,002</u>
		<u>51,554</u>	<u>50,017</u>
Capital and reserves			
Share capital		8,790	8,790
Share premium and reserves		42,639	40,899
		<u>51,429</u>	<u>49,689</u>
Minority interests		<u>96</u>	<u>292</u>
Non-current liabilities			
Obligations under finance leases		29	36
		<u>51,554</u>	<u>50,017</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

The unaudited consolidated cash flow statement for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2004 are as follows:

	Unaudited	
	Six months ended	
	31 December	
	2005	2004
	US\$'000	US\$'000
Net cash outflow from operating activities	(29,543)	(9,230)
Net cash inflow from investing activities	600	4,653
Net cash inflow from financing activities	22,837	6,254
(Decrease)/increase in cash and cash equivalents	(6,106)	1,677
Cash and cash equivalents at 1 July	12,807	7,526
Effect of foreign exchange rate changes	302	238
Cash and cash equivalents at 31 December	<u>7,003</u>	<u>9,441</u>
Cash and cash equivalents at 1 July		
Being:		
Bank balances and cash	12,807	7,548
Bank overdrafts	-	(22)
	<u>12,807</u>	<u>7,526</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The unaudited consolidated statement of changes in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2004 are as follows:

	Share capital	Share premium account	Surplus account	Exchange reserve	Goodwill reserve	Capital reserve	Investments revaluation reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 July 2004	8,790	22,215	2,954	156	(1,578)	67	(115)	14,713	47,202
Exchange differences on translation of overseas operations	-	-	-	236	-	-	-	-	236
Revaluation decrease	-	-	-	-	-	-	(321)	-	(321)
Profit for the period	-	-	-	-	-	-	-	844	844
Balance at 31 December 2004	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>392</u>	<u>(1,578)</u>	<u>67</u>	<u>(436)</u>	<u>15,557</u>	<u>47,961</u>
Balance at 1 July 2005	8,790	22,215	2,954	817	(1,436)	67	(778)	17,060	49,689
Exchange differences on translation of overseas operations	-	-	-	487	-	-	-	-	487
Revaluation decrease	-	-	-	-	-	-	(6)	-	(6)
Profit for the period	-	-	-	-	-	-	-	1,259	1,259
Balance at 31 December 2005	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>1,304</u>	<u>(1,436)</u>	<u>67</u>	<u>(784)</u>	<u>18,319</u>	<u>51,429</u>

NOTES TO CONDENSED INTERIM ACCOUNTS:

I. Basis of presentation

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of GEM Listing Rules. They have also been prepared under the historical cost convention, modified for the revaluation of certain investments in securities.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) herein collectively referred to as HKFRSs which are generally effective for the accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRS has no material effect on the Group’s financial statements.

2. Segment information

For management purposes, the Group is currently organized 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.

An analysis of the Group’s turnover and results for the Half-Yearly Period together with the corresponding period in 2004 by business segment is presented below:

	Group brand products		Other brand products		Consolidated	
	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Revenue						
External sales	<u>99,052</u>	<u>70,756</u>	<u>75,256</u>	<u>55,619</u>	<u>174,308</u>	<u>126,375</u>
Result						
Segment result	<u>2,123</u>	<u>1,578</u>	<u>738</u>	<u>886</u>	<u>2,861</u>	<u>2,464</u>
Unallocated other revenue					69	19
Unallocated corporate expenses					(439)	(712)
Profit from operations					2,491	1,771
Share of results of a jointly controlled entity					-	(4)
Share of results of associates					51	-
Finance costs					(1,259)	(798)
Profit before taxation					1,283	969
Taxation					(208)	(225)
Profit before minority interests					1,075	744
Minority interests					184	100
Net profit for the period					<u>1,259</u>	<u>844</u>
Assets						
Segment assets	114,628	75,363	38,247	35,103	152,875	110,466
Unallocated assets					6,068	8,942
Consolidated total assets					<u>158,943</u>	<u>119,408</u>
Liabilities						
Segment liabilities	35,549	22,113	13,554	8,284	49,103	30,397
Unallocated liabilities					58,260	40,958
Consolidated total liabilities					<u>107,363</u>	<u>71,355</u>
Other information						
Capital expenditure	1,784	212	108	275	1,892	487
Depreciation and amortization	<u>640</u>	<u>542</u>	<u>113</u>	<u>118</u>	<u>753</u>	<u>660</u>

The unaudited geographical segment information for the Half-Yearly Period together with the corresponding half-yearly period in 2004 is as follows:

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditures	
	2005	2004	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
North America	104,198	73,855	50,605	40,575	201	316
Europe	34,882	25,033	15,025	9,605	58	19
Asia	33,683	26,008	92,872	68,690	1,633	152
Others	1,545	1,479	441	538	-	-
	174,308	126,375	158,943	119,408	1,892	487

3. Profit before taxation

	Six months ended 31 December		Three months ended 31 December	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Profit before taxation has been arrived at after charging:				
Depreciation and amortization	753	660	375	331
Loss on disposal of property, plant and equipment	-	215	-	215

4. Taxation

	Six months ended 31 December		Three months ended 31 December	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
The charge comprises:				
- Hong Kong Profits Tax	-	-	-	-
- Taxation arising in other jurisdictions	208	225	141	195
	208	225	141	195

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

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

5. Earnings per share

The share options have no dilutive effect on ordinary shares for the Half-Yearly Period, the corresponding half-yearly period and quarterly period in 2004 because the exercise price of the Company's share options was higher than the average market price of shares for the period.

The calculation of the basic earnings per share for the Half-Yearly Period, the Quarterly Period, the corresponding half-yearly period and quarterly period in 2004, and diluted earnings per share for the Quarterly Period are based on the following data:

	Six months ended		Three months ended	
	31 December		31 December	
	2005	2004	2005	2004
	US\$	US\$	US\$	US\$
Earnings for the purpose of:				
basic and diluted earnings per share	<u>1,259,000</u>	<u>844,000</u>	<u>850,000</u>	<u>606,000</u>
Number of ordinary shares for the purpose of basic earnings per share	682,786,000	682,786,000	682,786,000	682,786,000
Effect of dilutive potential ordinary share in respect of:				
– Share options	<u>N/A</u>	<u>N/A</u>	<u>503,145</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>683,289,145</u>	<u>N/A</u>

6. Trade and other receivables

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

	31 December	30 June
	2005	2005
	US\$'000	US\$'000
Current	48,777	35,314
1 to 30 days	16,021	9,240
31 to 60 days	7,159	1,725
Over 60 days	3,951	4,595
	<hr/>	<hr/>
Trade receivables	75,908	50,874
Deposits, prepayments and other receivables	9,475	6,070
	<hr/>	<hr/>
	85,383	56,944
	<hr/> <hr/>	<hr/> <hr/>

7. Trade and other payables

The following is an aged analysis of accounts payable:

	31 December	30 June
	2005	2005
	US\$'000	US\$'000
Current	32,389	13,426
1 to 30 days	3,594	3,824
31 to 60 days	1,506	1,746
Over 60 days	324	812
	<hr/>	<hr/>
Trade payables	37,813	19,808
Deposits in advance, accruals and other payable	9,324	5,535
	<hr/>	<hr/>
	47,137	25,343
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

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

The Group has not declared any dividends for the corresponding half-yearly period and quarterly period in 2004.

BUSINESS REVIEW

PINE is firmly on track of growth and profitability. Our Team delivered an increase of 40% of net profit after tax in this Quarterly Period against the same period of fiscal year 2005, from US\$606,000 to US\$850,000.

Revenue for the Quarterly Period also grew by 41% to US\$98,096,000 compared to US\$69,633,000 in the prior year period. Gross profit margin held steady at the solid 8.4%.

Taking the view of the full Six-Month Period, our Team has achieved an outstanding result by delivering an increase of net profit by 49% from US\$844,000 to US\$1,259,000 and the revenue by 38% from US\$126,375,000 to US\$174,308,000 comparing to corresponding six-month of last year.

Over this Half-Yearly Period, revenue generated by our XFX video graphic line has continued to grow and grown by 40% to US\$99,052,000 from the US\$70,756,000 of the same period last year.

Our Distribution Division has also experienced a strong year, with revenue grew by a powerful 35% in this Half-Yearly Period to US\$75,256,000 from the US\$55,619,000 of corresponding half-yearly period.

And we are particularly excited and proud to see our XFX brand be voted and awarded the “BEST VIDEOCARD BRAND 2005” by HardWare.Info on Oct 27th, 2005. This award means even more than a normal product award as it represents the appreciation of the entire product range AND the brand XFX itself.

Overall, we are pleased with this quarter’s performance and we believe these results are a solid testimony that PINE is surely and firmly on the right track of profitability and growth.

BUSINESS PROSPECTS

We are optimistically confident of the near and medium term prospect of PINE as we see the strategic foundation that we have laid out in the past years has started to take effect as our competitive strengths, enabling us to capture new business opportunities from our competitors, and to generate a larger market share and greater success in the year of 2005, 2006 and beyond.

This also comes at the good timing as the market started to witness the migration of AGP architecture to PCI Express approaching the full speed crossover phase, which creates numerous opportunities of new demands on our XFX PCI Express video graphic line.

This trend plus our sharpened competitive position make us to believe the Company will continue on track of steady growth of revenue and profitability.

In closing, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our suppliers, customers, bankers, and shareholders for their supports. And most importantly, I would like to thank the whole team who has continued to make this another successful quarter through their passionate commitment and dedication to make PINE the winning company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2005, the Group's borrowings consists of short-term loans of approximately US\$57,681,000 (30 June 2005: approximately US\$34,443,000) were partially secured by pledged bank deposits, share of investments in securities or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2005, total pledged bank deposits, pledged investments in securities and all assets of certain subsidiaries as floating charges were amounted approximately US\$2,469,000, US\$359,000 and US\$65,046,000 respectively (30 June 2005: approximately US\$2,365,000, US\$362,000 and US\$43,578,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2005, the total cash on hand amounted approximately US\$7,003,000 (30 June 2005: approximately US\$12,807,000).

Capital structure

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

Significant investments and material acquisitions

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.

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

The Group had disposed 51% interest of PNS Technology Limited, an investment holding vehicle, holding approximately 68% interest in the JV company established in People's Republic of China. The disposal would enable the Group to concentrate on its core business and the proceed would provide additional cash flow and working capital for the Group's core operation and business.

Staff

As at 31 December 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\$4.2 million for the Half-Yearly Period as compared with that of approximately US\$3.6 million for the corresponding half-yearly period in 2004.

Gearing ratio

As at 31 December 2005, the gearing ratio of the Group based on total liabilities over total assets was approximately 67.6% (30 June 2005: approximately 56.6%).

Exchange risk

During the period under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars and Canadian dollars. For settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that were principally denominated in US dollars, Canadian dollars and Pound Sterling. The unsecured risk will be foreign currency payables and loan exceeds its foreign currency revenue. The directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirement. When necessary, forward exchange contracts will be used to hedge against foreign currency exposures. As at 31 December 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") and 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. ("Norvergence"), had filed a lawsuit against Eastcom to enforce a telephone service provider contract. Currently, the litigation is stalled as Norvergence 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 Norvergence and Norvergence 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 US\$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 Half-Yearly Period. 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.

Segment Information

Group brand products

Revenue growth by 40% to US\$99,052,000 for the Half-Yearly Period from US\$70,756,000 of same period last year, the segment profit from group brand product surged to US\$2,123,000 compared with US\$1,578,000 in the corresponding half-yearly period. 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

Turnover of distribution division for the Half-Yearly Period has grown to US\$75,256,000 from the corresponding period's US\$55,619,000, a 35% growth. The growth is a solid testimony of the strong strategic partnership with the top Mass Merchant players in Canada, namely Best Buy and Future Shop.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2005, the interests and short positions of the directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Chiu Hang Tai	Held by controlled corporation (Note)	131,000,000	19.19%
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.

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

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

B) Share Options

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

As at 31 December 2005, the following directors of the Company were granted share options to subscribe for shares in the Company, details of share options granted under the Old Scheme and the new Scheme are as follows:

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

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 December 2005, the following persons (not being a director or a chief executive of the Company) were interested in 5% or more of in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Alliance Express Group Limited	Beneficial owner (Note 1)	131,000,000	19.19%
Concept Express Investment Limited	Beneficial owner (Note 2)	122,760,000	17.98%
Mr. Chiu Kwong Chi	Beneficial owner (Note 2)	122,760,000	17.98%

Notes:

- The shares are beneficially owned by and registered in the name of Alliance Express Group Limited. The entire issued share capital of Alliance Express Group Limited is beneficially owned by Mr. Chiu Hang Tai.
- These shares are beneficially owned by and registered in the name of Concept Express Investment Limited. The 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.

Saved as disclosed above, the directors are not aware of any person who, as at 31 December 2005, had an interest or short position in the Shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the company.

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

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

As at 31 December 2005, the following trade receivable had trading balance with the Group exceeded 8% of the Company's total market capitalization:

	US\$	% of total market capitalization
Best Buy Canada Limited	7,941,000	61%
ASI Computer Technologies, Inc.	1,927,000	15%
The Business Depot Ltd	1,769,000	14%
Shivnet, Inc.	1,506,000	12%
Twinmicro, Inc.	1,395,000	11%
SYX Distribution Inc.	1,289,000	10%
Agrizzi Enterprises Corp.	1,273,000	10%
Magnell Associates dba ABS Computer Technologies, Inc	1,202,000	9%
PC IZZI	1,143,000	9%

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the “CG Code”) set out in Appendix 15 of the GEM Listing Rules throughout the Half-Yearly Period, except for the following deviations:

- (i) There is no division of roles of chairman and chief executive officer that both offices are held by Mr. Chiu Hang Tai;
- (ii) Not all directors are subject to retirement by rotation at least once every three years;
- (iii) The Company does not have a remuneration committee throughout the Half-Yearly Period;
- (iv) The Company has not yet disclosed the terms of reference of the remuneration committee and audit committee on the website of the Company.

Code Provision A.2.1

The Company considers that the combination of the roles of chairman and chief executive officer can effectively formulate and implement the Company’s strategies. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considered that there is no imminent need to change the arrangement.

Code Provision A.4.2

The Board considered that to the best interest of the Group, the Chairman and Deputy Chairman of the Company do not need to be subject to retirement by rotation in accordance with the Company’s Bye-laws.

Code Provision B.1.1

A remuneration committee was established on 30 December 2005 with written terms of reference. The remuneration committee comprises one executive director, namely, Mr. Chiu Hang Tai and two independent non-executive directors, namely, Mr. Li Chi Chung and Mr. So Hon Cheung, Stephen (chairman of the remuneration committee).

Code Provision B.1.4 and C.3.4

Appropriate actions are being taken to update the website for the Company, whereat the written terms of reference of the audit committee and remuneration committee will be disclosed. These terms of reference are also available from the Company on request.

AUDIT COMMITTEE

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

By order of the Board
PINE Technology Holdings Limited
Chiu Hang Tai
Chairman

Hong Kong, 27 January 2006

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



PINE 

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

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