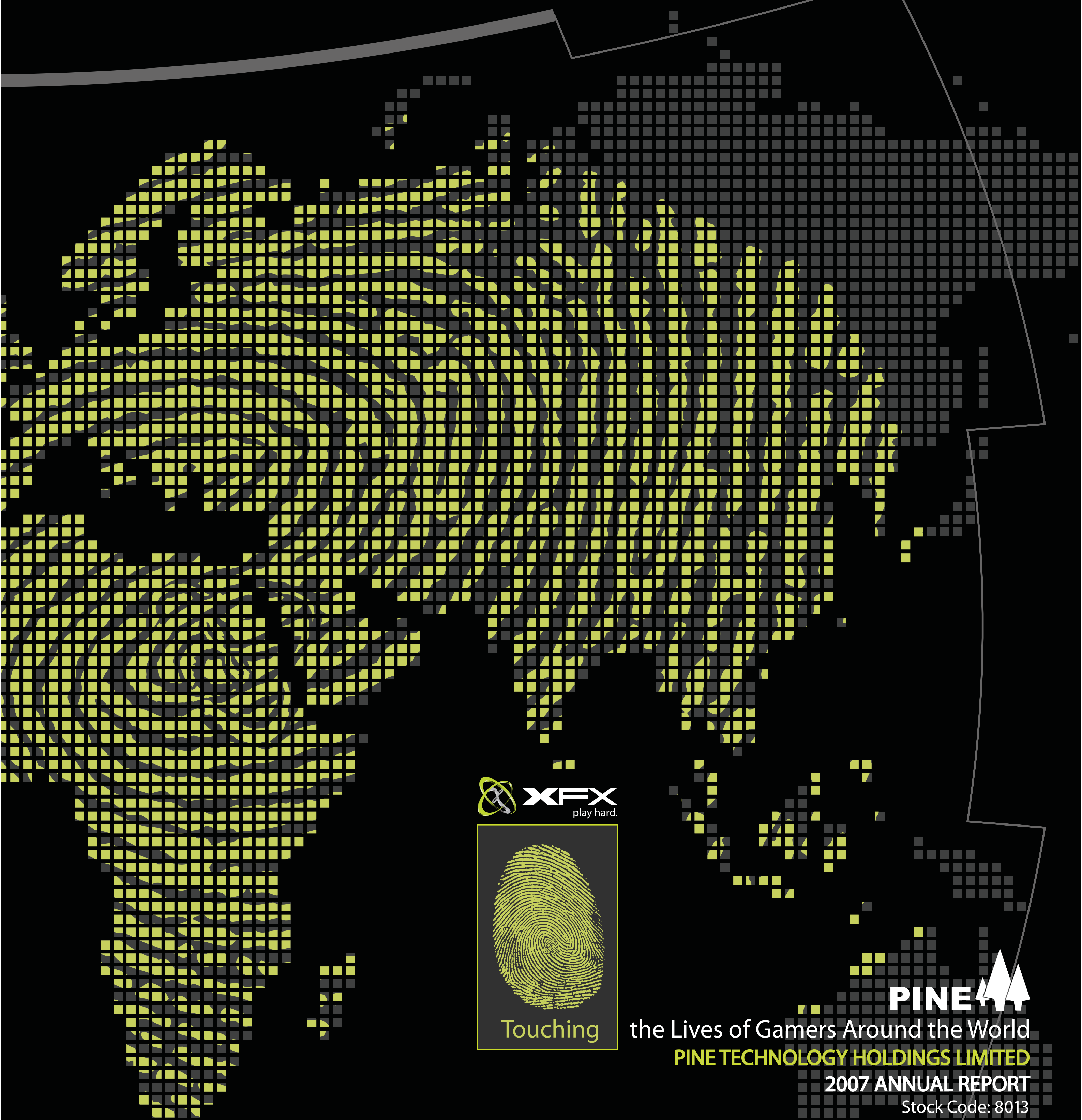

XFX play hard.

Touching the Lives of Gamers Around the World

PINE TECHNOLOGY HOLDINGS LIMITED

2007 ANNUAL REPORT

Stock Code: 8013

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.

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This report, for which the directors of PINE Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") 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.

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

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

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本報告載有遵照創業板證券上市規則(「創業板上市規則」)而提供有關松景科技控股有限公司之資料。松景科技控股有限公司各董事就本報告共同及個別承擔全部責任，並在作出一切合理查詢後確認，就彼等所知及所信：(1)本報告所載之全部內容均正確及完整，不會產生誤導；(2)本報告並無遺漏其他事實，致使任何聲明產生誤導；及(3)本報告所載之意見乃基於公平及合理之假設審慎周詳考慮後作出。

Touching the Lives of Gamers Around the World

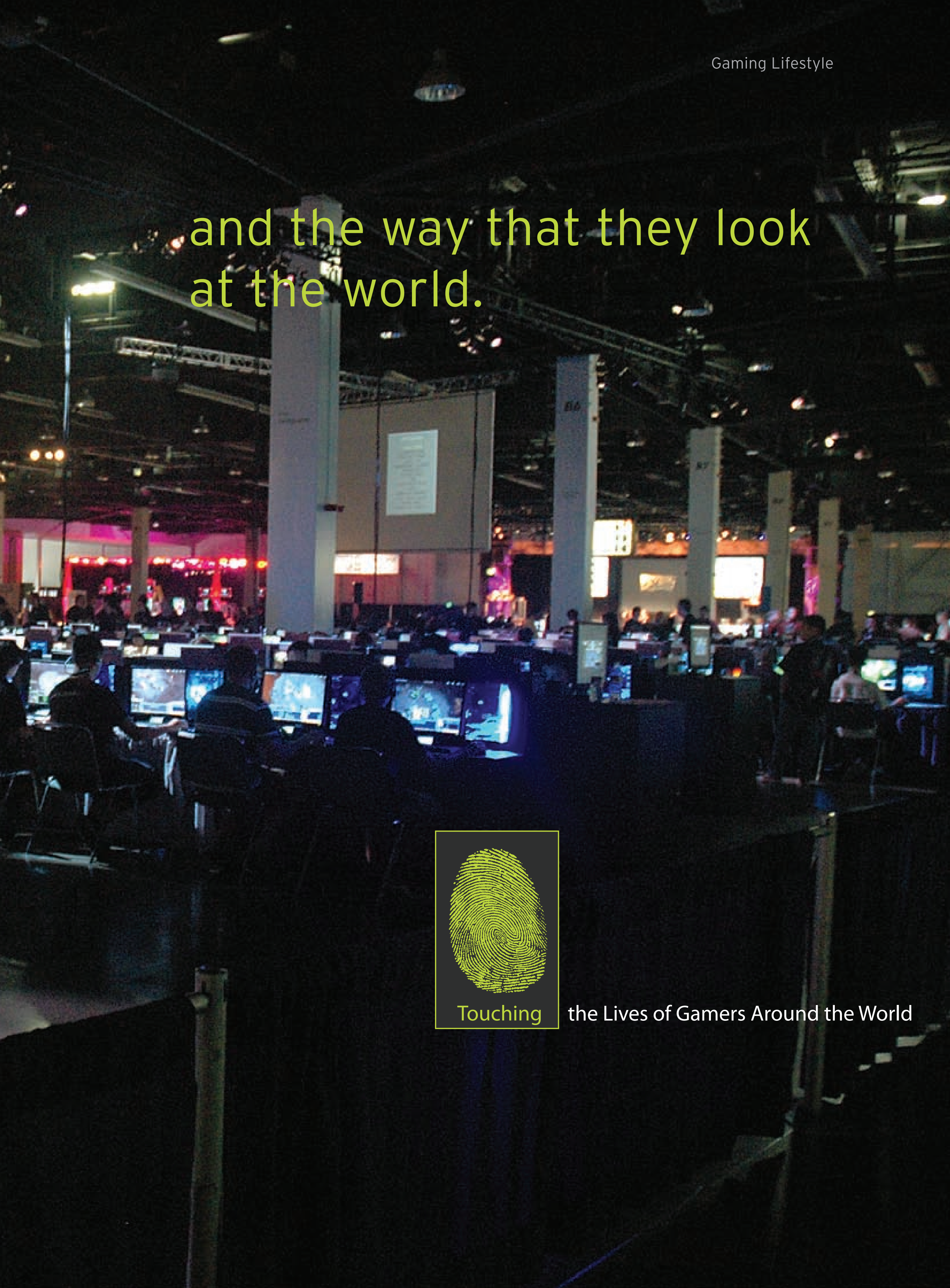
We know gamers inside and out, and we touch their

lives with cutting-edge products, dedicated research and development and global marketing.

Touching the Lives of Gamers Around the World

Our products transform the way gamers think,

and the way that they look at the world.



Touching the Lives of Gamers Around the World

Our products are the touchstone for an industry.

PC Magazine
Editors Choice 2005

The Tech Report
Editor's Choice 2007
Editor's Choice 2006
Editor's Choice 2005

Hardware Hell
Gold Award 2006
Gold Award 2005

PC Overdrive
10 of 10 Score 2005

Bjorn3D
Seal of Approval 2007

Extreme Tech
Approved 2007 (2X)
Approved 2006 (3X)
Approved 2005

Bjorn3D
Golden Bear 2008
Golden Bear 2007 (2X)
Golden Bear 2006 4X)

I4U News
9.5 of 10 Score 2007

Legit Reviews
Editor's Choice 2007
Editor's Choice 2006 (2X)

GWN
90 of 100 Score 2007

Motherboards.org
"fastest single graphics card on the market today bar none"-2007

AMD Zone
Editor's Choice 2007
Editor's Choice 2006 (2X)

Boot Worthy Daily
Boot Worthy 2007 (2X)

Hexus
Gaming Recommended 2007

PC Perspective
Gold 2007 (2X)
Gold 2006

Hexus
Extreme Recommended 2007

PC World
Best Buy System 2007

Legit Reviews
Value Award 2007
Value Award 2006

Legit Reviews
Innovation Award 2006

Motherboards.org
Editor's Choice 2007
Editor's Choice 2006

Real World Benchmarks
Editor's Choice Jan-2007

Overclockers Club
Editor's Choice 2007 (2X)

c|net
8.5 of 10 Excellent 2007

Hot Hardware
Editor's Choice 2007
Editor's Choice 2006 (2X)

I4U News
Editor's Choice 2007 (2X)

Beedin Edge
Golden Blade 2006

Windows Magazine
Best Graphics Card of the Year

PC Perspective
Editor's Choice 2006
Editor's Choice 2005

Maximum PC
Kick Ass Award 2006
Kick Ass Award 2005

Hard OCP
Editor's Choice Gold 2007
Editor's Choice Gold 2006

Hard OCP
Editor's Choice Silver 2007

About.com
5 Star Rating 2007

Modders Inc.
Editor's Choice 2007
Editor's Choice 2006

GD Hardware
Grab It Award 2006 (2X)

AVAULT
5 Star Award 2006

Because, for PINE, being the best is an expectation, not a goal.

Firing Squad
Editor's Choice 2006

e-zone
Editors' Choice

Driverheaven
Driverheaven Editors Choice Award 2007

IN4.pl
Recommendation 2007

PC World Komputer
Best Efficiency 2007

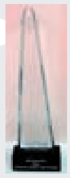
Top Hardware
Top 6 Award 2007

Overclock3D
OC3D Recommended 2007

Overclock3D
Value for Money award 2007

GURU 3D
Editors' Choice

ITC
BEST QUALITY AWARD 2007



Window Middle East Magazine
Best Image Card Owner

Vidi Magazine
XFX GF 8800 Ultra Scores close to the highest ranking ever; 4.4 of 5

HardWare.Info
BEST VIDEOCARD BRAND of 2005 & 2006

TrustedReviews.com
Recommendation 2007

PC3
Editors' Choice

Computer Shopper
4 Star Rating 2007

Bi-tech.net
XFX's GeForce 8800 Ultra 650M Extreme is the pick of the bunch

DOS/V POWER REPORT
Gold award for 8800GTS 320MB (T80G-GHF9)

3D Italia
Best Hardware 2007

PConline
2006

PCShow.Net
Best Performance 2007

PC Guia
PC Guide Gold Award 2007

PCWeekly
Editors' Choice

Economic Digest Magazine, Hong Kong
2006 Hong Kong Outstanding Enterprise

PC Tuner
Best Buy 2007

www.beareyes.com.cn
Best Performance Award 2006

Popular Computer Week
Consumer's Most Preferable Brand

Hardspell
Editors' Recommends 2006

Chip
Award of the Year 2006

DOS/V Magazine Japan
"Best Choice" Award 2007

Modern Computer
University Students' Most Preferrable Brand 2006

MicroComputer
The Most Energetic Enterprise
最具活力企业

www.it168.com
2006 Product Innovation Award
2006 产品创新奖

PCFAN
2006 Editors' Choice
2006 编辑选择

MicroComputer
Fastest Market Growth Product 2006

We are always working on ways to improve our products, with amazing results.

In fact, our research and development efforts are unparalleled.

Touching the Lives of Gamers Around the World

We recently enlisted the talents of the World’s No. 1 Gamer, Fatal1ty,

because it is only logical that the leading brand should work with the leading talent.

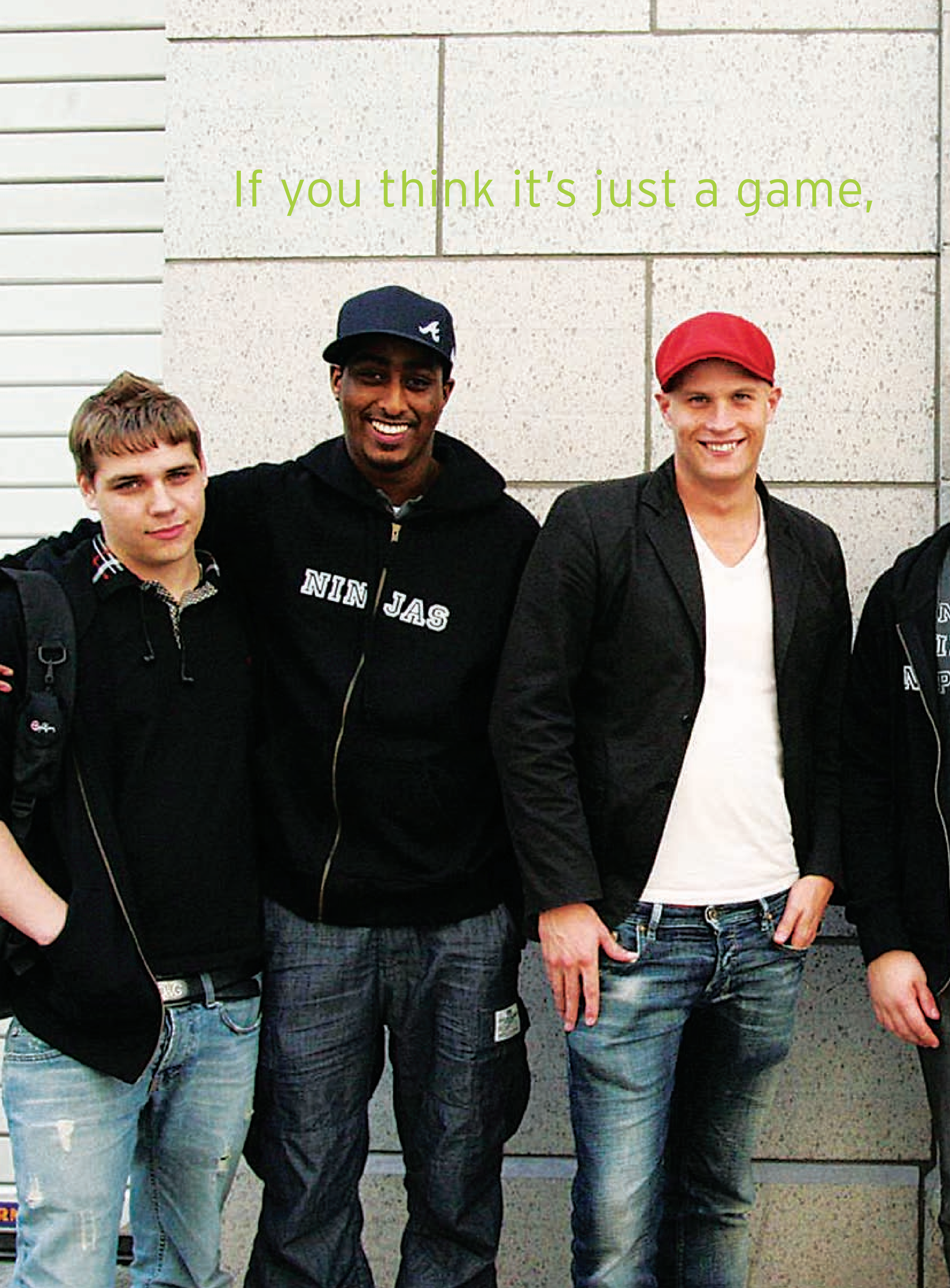
Touching the Lives of Gamers Around the World


XFX
play hard.
THE BIGGEST, BADDEST CARD OUT THERE
SHIFT YOUR GAMING INTO OVERDRIVE
Power for High-Performance Gaming and Multi-media Enthusiasts
650i ULTRA
MOTHERBOARD
PURE PERFORMANCE.
NVIDIA BLVD.
PLAY HARD.
GAMING TEAM WORLD TOUR
2006
Davey Awards
Recognizing Outstanding
Conceptual Execution
XFX "play hard." Campaign

XFX is not just a brand of choice: it is a leader, an innovator, and an award-winner.

Touching the Lives of Gamers Around the World

If you think it’s just a game,



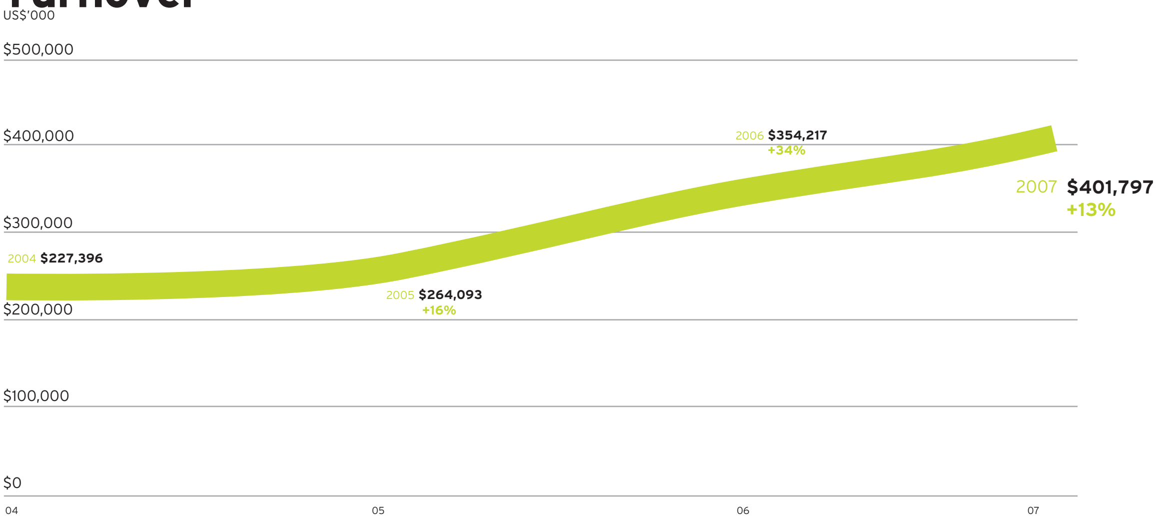
think again.

Touching the Lives of Gamers Around the World

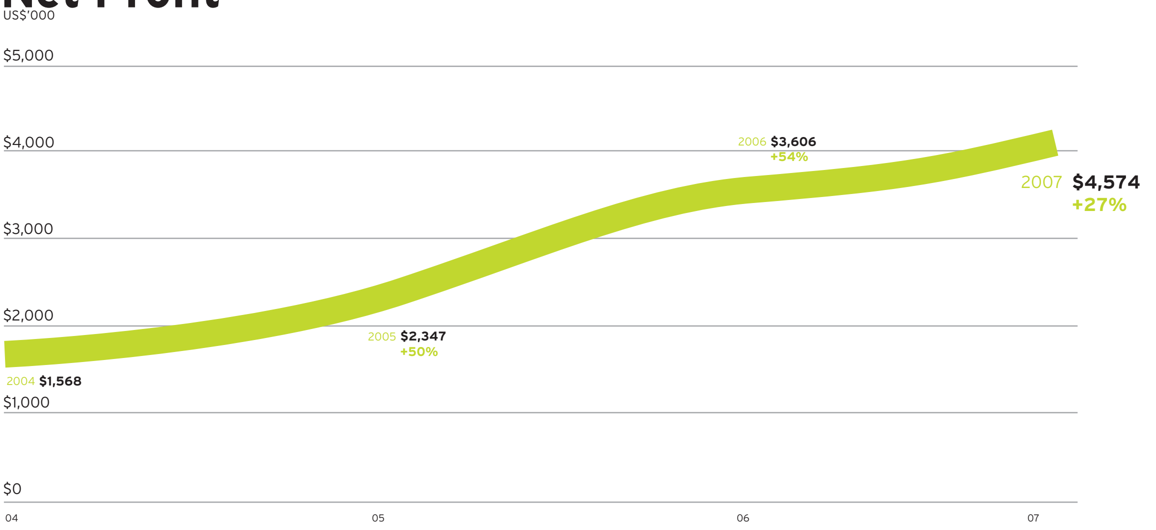
PINE

Financial Highlights

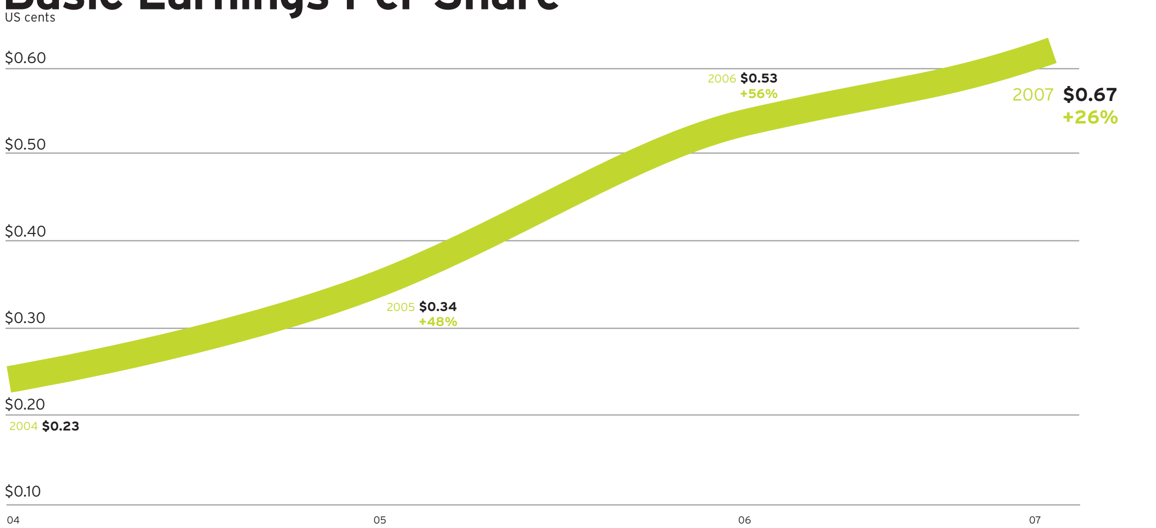
Turnover



Net Profit



Basic Earnings Per Share



Corporate Information

Board of Directors

Executive Directors
Mr. Chiu Hang Tai *Chairman*
Mr. Chiu Samson Hang Chin *Deputy Chairman*

Independent Non-Executive Directors
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Mr. Xu Jian Hua

Compliance Officer
Mr. Chiu Samson Hang Chin

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 *Chairman*
Mr. So Stephen Hon Cheung
Mr. Xu Jian Hua

Remuneration Committee
Mr. So Stephen Hon Cheung *Chairman*
Mr. Li Chi Chung
Mr. Chiu Hang Tai

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
BNP Paribas (Canada)
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank, Ltd.
Manufacturers Bank
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited
Wells Fargo Bank, N.A.
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
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisers
As to Bermuda Law:
Conyers Dill & Pearman

As to Hong Kong Law:
Winnie Mak, Chan & Yeung Solicitors

Stock Quote
8013

Website of the Company
www.pinegroup.com

Corporate Profile

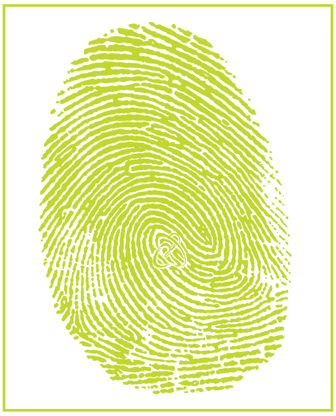
PINE Technology Holdings Limited ("PINE" or "the Group") is one of the world's leading companies in the design, manufacturing and distribution of PC based products. It has two core business divisions – the XFX division which focuses and specialises in the design and manufacturing of Video Graphic products 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$402 million in financial year of 2007. It has been listed on the GEM board of the Hong Kong Stock Exchange (HKGEM: 8013) in 1999.

Chairman's Statement



2007 was a year of overwhelming success for PINE. We attained revenue of US$401,797,000, marking a 13% increase from the previous year's revenue of US$354,217,000. Net profit climbed by 27% to US$4,574,000, contributed in large part by an increase in gross margin to 9.1% from 8.6% of fiscal 2006. Overall, we are very pleased with our financial performance, particularly on our achievement of record high in past 4 consecutive years in the revenue, net profit and gross margin. Our success is attributed to our comprehensive product portfolio, extensive network channel, our unique and well recognized XFX brand, and our highly effective result-driven execution-oriented team. All these factors position PINE for continuing growth in the coming future.

Business Review

Innovative Products

"Just as Ferrari took their ubercar Enzo and produced a very limited edition FFX, XFX has taken the limited edition Geforce 8800 Ultra and made the extremely limited edition called Geforce 8800 Ultra XXX Edition. The comparison between the FFX and XXX Edition Ultra is right on as the new XFX flagship is the fastest video card on the planet."

Real World Benchmarks

"Perhaps the decision of purchasing a video card was made to maintain quality and yields or simply that it had no need to be faster at the time but it made for little to differentiate the various cards from one another. ***Whatever the decision that is no longer the case now as we have in our hands the very first card to differ from Nvidia's reference specs, the XFX GeForce 8800 GTX XXX."***

www.amdzone.com

Benchmarks and Amdzone say it right. Over the years, our XFX graphics division was commissioned to meet the needs and to surpass the expectation of the insatiable gamers who require ever-better graphic acceleration and the very latest graphic technology. In 2007, our XFX team successfully launched the new 8800 Series and stunned the market with XFX GeForce® 8800 Ultra XXX Limited Edition running at 2.3GHz speed. This 8800 series was designed on the latest GeForce® 8800 GTX and 8800 GTS GPUs by NVIDIA®, our principle supplier as well as the worldwide leader in programmable graphics processor technology. The GeForce 8800 series is built on a unified architecture design which dynamically allocates processing power to geometry, vertex, physics, and pixel shading operation as required by users' increasingly demanding applications. Its GigaThread™ technology supports thousands of independent, simultaneous threads, maximizing GPU utilization and ultimately achieving revolutionary PC graphics performance. Moreover, it was the world's first DirectX® 10 GPU, offering higher performance and better looking PC graphics to create the most realistic and immersive 3D characters and environments for game enthusiasts.

Over the past years, we have designed and rolled out 22 video graphic card models with over 100 skus. This comprehensive product lineup continues to put our XFX in the leadership position, enabling us to fulfill the diverse and changing needs of the fragmented user groups of this industry going forward.

Creative Marketing

"Sometimes it's better to deal with more well known brands as far as reliability and support. ***Get the XFX****."*

www.forums.bf2s.com

"XFX is one of the NVIDIA partners who brings value to the end user. ***The marketing campaign "Play Hard" has been a success for the company and has made the company known worldwide.*** *The competition has been hard, but more often than not XFX has come out with a competitive product."*

HARDiNFO.

"For Gamer By Gamer (FGBG)" has been our founding principle and mantra since 2003. This is the guideline for us and it focuses our team to understand the real needs of the gamers and the gaming community, and to develop products and services to meet their needs and expectations. In 2007, we expand and enrich this foundation by injecting a new element to it and launching our "Professional Gaming" and "Play Hard" campaign. Its very basic concept is to promote PC gaming as a professional sport instead of a game. Like the professional athletes of any other sports, winning requires constant drilling, practicing, stretching, plus the attitude of wanting to be the best. We believe gamers are like athletes of any other sports, both of them pursue their dreams by competing in a spirit of sportsmanship and for the glory of being the best of the best.

This "Professional Gaming" concept and "Play Hard" campaign were well recognized and well received. In 2006, XFX was chosen by Fatal1ty to create a Gaming Graphic line for their hard core gaming group. Johnathan "Fatal1ty" Wendel was awarded the eSports Lifetime Achievement Award in 2007. He became the world's first full time professional video gamer in 1999, when he went undefeated with a perfect performance by winning all 18 maps in Stockholm, America. With his enthusiastic participation and consultation to our R&D team on developing the best graphic accelerator for Professional Gaming, the Fatal1ty line arose by end of 2006. It enhances the brand of XFX as not only the brand of choice, but also the brand of preference by the Professional Gamers.

Chairman's Statement

Global Success

*"I am **overly satisfied with my XFX card**, it beats them all in benchmarks and runs quiet."*

www.planetamd64.com

With the relentless efforts of the whole team, XFX has achieved extensive outstanding awards and recognition in the industry. Our various product families, like the XFX GeForce 8800, GeForce 8600 and GeForce 7900, successfully took up permanent residence at the top of product reviews by trade magazines around the world. More than that, XFX won the "Best Image Card Owner" Award in the Window Middle East Magazine in November. It also attained the "Best Image Card" award in ICODA Digital in South Korea. In Europe, XFX received the HWI award for "BEST VIDEOCARD BRAND 2006" repeating our hard-fought win of 2005. At home, PINE won a coveted "2006 Hong Kong Outstanding Enterprise" award from Economic Digest Magazine. These awards all demonstrated XFX's success and leadership position in various facets of the video graphic cards industry. The most exciting award we won in USA was the "2006 Davey Award", which recognized the outstanding conceptual execution of our XFX "Play Hard" campaign.

We are not resting on the success we achieved; we continue to expand the XFX brand position along the geographic spectrum. Today, we have established distributorship in over 50 countries around the world, including United Kingdom, UAE, Turkey, Thailand, Syria, Switzerland, Sri Lanka, Spain, South America, South Africa, Singapore, Scandinavia, Saudi Arabia, Russia, Qatar, Portugal, Pakistan, Oman, North America, New Zealand, Netherlands, Malaysia, Libya, Latin America, Korea, Jordan, Japan, Italy, Israel, Indonesia, India, Germany, France, Egypt, Dubai, China, Canada, Brazil, Belgium, Bangladesh, Austria, Australia, Algeria.

We understand to sustain the global success, it requires a truly competitive global team. This year, we extended the "Play Hard" concept and extended it from the product and marketing front to the internal arena in our drive to build up a passionate, dedicated and experienced team around the world, all united by the unique "Play Hard" culture encouraging the desire of winning and the spirit of winning by being the best.

Business Outlook

Looking beyond 2007, we are optimistic about the business outlook as the many seeds we planted in past years on the development of the key global markets, the brand and image, the product differentiation and product positioning, the understanding and trust of the business partners, the building and nurturing of a highly effective and unique team, all these are starting to bring upon fruition in the coming year.

Our optimism is further reinforced by the industry outlook. iSuppli Corp projects worldwide PC shipments to be up from 10.5% to 11.5% in 2007 to a total of 252 million units from a year earlier. In addition, iSuppli predicts worldwide LCD shipments of 353.8 million units, up 25.2% from 282.5 million units in 2006. On the other hand, the Chinese-language Economic Daily News (EDN) cites a pickup in demand for Microsoft® Windows Vista™ along with the approaching peak buying season. The strong demand for PCs and LCDs and the growing welcome towards Windows Vista among consumer and business buying segments will benefit the video graphic card market as all these applications require the equipping of powerful video graphic cards.

Online gaming market has also become a new driving factor for our business growth. Online gaming has become a regular part of the leisure mix for adults, teens, and kids. According to Research and Markets, the U.S. market for online and mobile gaming has soared 288% since 2002. In Asia-Pacific, IDC points out that the online gaming market will almost triple in size by 2010. In China, iSuppli forecasts that the number of online gamers will grow to 84 million by 2010, up from 30 million in 2005. The popularity of online gaming is setting the stage for new growth in the video graphic card market as gamers are always in search of the latest technology and the best product in their pursuit of highest quality in their visual experience and fastest speed in their maneuvering.

Nevertheless, our management team never downplays the potential risks from the current volatility in the world's financial markets, rooted in the sub-prime woes of the American real estate market, which raises a prospect of uncertainty going forward. High volatility and uncertainty would have negative consequences for the availability of liquidity, business and consumer confidence, and their buying power and desire of spending. We will continue to implement a tightly disciplined approach towards overheads, inventories, receivables and capital investment. Such prudent management principles have long been a key element in our success and will continue to be the touchstone for the Group in years to come.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our customers, suppliers and bankers for their support. I want to thank our shareholders, our owners, for their continuing trust in this management team. In particular, I also want to thank the whole "Play Hard" PINE team. Without their dedication and relentless effort, we would not have accomplished the goals we have attained and would be unable to entertain the ambitions we hold today. I am confident that we will deliver another year of stellar performance.

Michael Chiu
Chairman

Hong Kong, 20 September 2007

Management Discussion and Analysis

Liquidity, Financial Resources and Charge of Group Asset

As at 30 June 2007, the Group's borrowings comprised short-term loans of approximately US$64,807,000 (30 June 2006: approximately US$48,603,000) and long-term loans of US$862,000 (30 June 2006: Nil). The aggregate borrowings approximately US$65,669,000 (30 June 2006: US$48,603,000) were partially secured by pledged bank deposits, share of available for sale investments or by all assets of certain subsidiaries as floating charges to banks.

As at 30 June 2007, total pledged bank deposits, pledged available for sale investments and all assets of certain subsidiaries as floating charges were amounted approximately US$8,933,000, US$1,328,000 and US$61,403,000 respectively (30 June 2006: approximately US$3,181,000, US$206,000 and US$50,984,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2007, the total cash on hand amounted approximately US$18,880,000 (30 June 2006: approximately US$10,155,000).

Capital Structure

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

Significant Investments and Material Acquisitions

The Group had disposed all the interest of PNS Technology Limited, an investment holding vehicle, holding approximately 68% interest in a joint venture company established in the 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.

During the year under review, the Group had disposed 7.4 million shares of QUASAR Communication Technology Holdings Limited ("QUASAR"), equivalent to 1.4% of the total issued shares of QUASAR. At 30 June 2007, the Group beneficially held approximately 6.5% of shareholding interests in QUASAR ("Interests in QUASAR"), and approximately 59% of the Interests in QUASAR were charged to bank for securing banking facilities.

Employee

As at 30 June 2007, 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$13.5 million for the year ended 30 June 2007 as compared with that of approximately US$11.1 million for the preceding financial year.

Gearing Ratio

As at 30 June 2007, the gearing ratio of the Group based on total liabilities over total assets was approximately 65% (30 June 2006: approximately 60%).

Exchange Risk

During the year 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. During the year, the Group has used forward foreign currency contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies. As at 30 June 2007, the Group had forward foreign currency purchase contracts of US$15,000,000 (2006: US$1,000,000). Included in current liabilities is an amount of US$1,185,000 (2006: Nil) which represents the shortfall of the fair value of these forward contracts over their face value.

Contingent Liabilities

In November 2004, Samtack Computer Inc., ("Samtack"), a wholly owned subsidiary of the Company, received a 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 Ontario 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. Samtack has filed a claim against Ontario 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$1,794,000 in outstanding levies. The defendants under this litigation are also potentially liable for penalties of up to five times the outstanding levies.

In the opinion of the directors, it is not probable that the Group will need to settle the claim and accordingly has not recognized the liability. Management will review the likelihood of having to pay damages periodically, and record 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 damages can be reasonably estimated.

Management Discussion and Analysis

Segment Information

Group brand products

Revenue growth by 23% to US$276,439,000 for the year (2006: US$224,131,000), the segment profit from group brand product surged to US$10,165,000 compared with US$8,355,000 in 2006. 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. Over the past year, our XFX graphic division had a phenomenal success in growing its market share on global basis. The following is an analysis of the sales of group brand products by geographical market.

	2007 **US$'000**	2006 US$'000	**Growth** %
North America	**98,602**	78,520	25.6
Europe	**97,046**	70,738	37.2
Asia & Others	**80,791**	74,873	7.9
	276,439	224,131	23.3

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. The revenue of other brand products streamlined to US$125,358,000, a decrease of 3.6%, the segment profit from other brand product decreased to US$423,000 compare with US$1,930,000 in 2006.

Executive Directors

Mr. Chiu Hang Tai, aged 47, 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 eighteen 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 Samson Hang Chin.

Mr. Chiu Samson Hang Chin, aged 49, 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 three years of experience in the PC industry. He is the brother of Mr. Chiu Hang Tai.

Management Profile

Independent Non-Executive Directors

Mr. Li Chi Chung, aged 39, was appointed as an independent non-executive director in June 2000. Mr. Li is currently a solicitor practicing in Hong Kong. He obtained a bachelor degree in laws from the University of Sheffield in England in 1990. Mr. Li was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. He is currently an independent non-executive director of two companies listed on the main board of the Stock Exchange. He is also a non-executive director of a company listed on GEM.

Mr. So Stephen Hon Cheung, aged 51, a director of the accounting firm T.M Ho, So & Leung CPA Limited and CCIF CPA Limited, is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants, a member of the Society of Certified Management Accountants of Canada, a member of the Chartered Institute of Management Accountants and a fellow member of the Association of International Accountants. He holds a bachelor degree in commerce 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 thirteen years experience in manufacturing, wholesale and trade in the commercial sector and over fifteen 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 of Canada, Hong Kong Branch for 1989-90. He was appointed as an independent non-executive director of the Company in September, 2002.

Mr. Xu Jian Hua, aged 44, was appointed as an independent non-executive Director in September 2004. He has over seventeen 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 36, 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 Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Prior to joining the Group in 1998, he was with a major international accounting firm.

Qualified Accountant

Mr. Chan Yu Ming, aged 36, 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.

Senior Management

Mr. Ng Khing Fah, Royson, aged 48, is the president of Samtack Computer Inc. (Canada). Mr. Ng 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 fourteen 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 42, is the president of XFX Europe and senior VP, XFX strategic product managment. He has over twenty four 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. Eddie Memon, aged 35, is the president of XFX USA. 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.

Corporate Governance Report

Corporate Governance Practices

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company's corporate governance practices are based on the principles ("Principles"), code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("GEM Listing Rules").

The Company has applied the principles as set out in the CG Code and complied with all the Code Provisions except for the deviations from Code Provisions A.2.1 and A.4.2, details of which will be explained below.

Compliance of Code for Director's Securities Transactions

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Having made specific enquiry of all directors, all directors have confirmed that during the year ended 30 June 2007, they have fully complied with such code of conduct and the required standard of dealings.

Board of Directors

The Board members for the year ended 30 June 2007 comprises:–

Executive Directors:
Mr. Chiu Hang Tai *(Chairman)*
Mr. Chiu Samson Hang Chin *(Deputy-Chairman)*

Independent Non-executive Directors:
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Mr. Xu Jian Hua

Mr. Chiu Samson Hang Chin is the brother of Mr. Chiu Hang Tai

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions. The Board also reviews and approves the quarterly and annual reports of the Group. Daily operations and execution of strategic plans are delegated to management.

Details of backgrounds and qualifications of the directors of the Company are set out in the management profile of the annual report. Each director is suitably qualified for his position and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

During the year ended 30 June 2007, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are considered to be independent.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Board had met 19 times during the financial year ended 30 June 2007 to consider, among other things, reviewing and approving the quarterly, interim and annual results of the Group. The directors can attend meetings in person or via telephone conference that are permitted under the bye-laws of the Company. The attendance of each director is set out as follows:

Executive Directors	*Attendance*
Mr. Chiu Hang Tai	18/19
Mr. Chiu Samson Hang Chin	17/19
Independent Non- Executive Directors	
Mr. Li Chi Chung	5/19
Mr. So Stephen Hon Cheung	5/19
Mr. Xu Jian Hua	1/19

Corporate Governance Report

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws provides that one-third of the directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, shall retire from office by rotation at each annual general meeting. Notwithstanding the provisions of the Company's Bye-laws, the Company intends to comply with the Code Provision A.4.2 in the way of having not less than one-third of all directors retiring at each annual general meeting. As such, at the forthcoming 2007 annual general meeting, two out of five directors for the time being shall retire and offer themselves for re-election.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chiu Hang Tai assumes the role of both the Chairman and the Chief Executive Officer of the Group. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Independent Non-Executive Directors

All the independent non-executive directors of the Company are appointed for specific term. Mr. Li Chi Chung and Mr. So Stephen Hon Cheung were appointed for a term of 2 years expiring on 9 June 2008 and 13 September 2008 respectively. Mr. Xu Jian Hua was appointed for a term of 1 year expiring on 29 September 2007.

Remuneration of Directors

A remuneration committee was established on 30 December 2005 with written terms of reference which are available on request and are available on the Company's website. 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 Stephen Hon Cheung (chairman of the remuneration committee).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

During the year under review, a meeting of the Remuneration Committee was held on 9 May 2007 for reviewing and discussing the policy for remuneration of Directors and the senior management. The individual attendance record of each Remuneration Committee member is as follow:

Members	*Attendance*
Mr. So Hon Cheung	1/1
Mr. Li Chi Chung	1/1
Mr. Chiu Hang Tai	1/1

Nomination of Directors

The Company has not established a nomination committee. The Board is responsible for reviewing its own size, structure and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the Company. Where vacancies on the Board exist or an additional director is considered necessary, the Chairman will identify suitable candidates and propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. The decision of appointing a Director must be approved by the Board.

The Company currently does not have any plan to set up a nomination committee considering the small size of the Board.

Auditor's Remuneration

During the year, the nature of the audit and non-audit services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of approximately US$362,000 for the Group; Non-audit services of approximately US$32,000 including:

- tax services for the Group
- agreed upon procedure on Group's annual result announcement

Audit Committee

The Company established an audit committee on 9 November 1999 with written terms of reference which are available on request and are available on the Company's website. The existing Audit Committee comprises the three independent non-executive directors, namely Messrs. Li Chi Chung, So Stephen Hon Cheung and Xu Jian Hua. The Chairman of the Audit Committee is Mr. Li Chi Chung.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half yearly reports and quarterly reports to directors. The Audit Committee had reviewed with management the accounting principles and practices and discussed internal controls and financial reporting matters including a review of audited accounts of the Company and Group for the year ended 30 June 2007.

The Audit Committee held 4 meetings during the year ended 30 June 2007 to review financial results and reports, financial reporting and compliance procedures and risk management system and the re-appointment of the external auditors. Details of the attendance of the Audit Committee meetings are as follows:

Members	*Attendance*
Mr. Li Chi Chung	4/4
Mr. So Stephen Hon Cheung	4/4
Mr. Xu Jian Hua	0/4

The Company's annual results for the year ended 30 June 2007 has been reviewed by the Audit Committee.

Responsibilities in Respect of the Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2007.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 27.

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The Management of the Company is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The Management also conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the Audit Committee on any key findings. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

Investors Relations

The Company has disclosed all necessary information to the shareholders in compliance with the GEM Listing Rules. The Company also replied to the enquiries from shareholders in a timely manner. The Directors host an annual general meeting each year to meet the shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.pinegroup.com, where extensive information and updates on the Company's business developments and operations, financial information and other information are posted.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2007.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the financial statements.

Major Customers and Suppliers

For the year ended 30 June 2007, the top five suppliers of the Group together accounted for approximately 56.5% of the Group's total purchases and the largest supplier accounted for approximately 31% 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 2007, 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 2007 are set out in the consolidated income statement on page 29 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$3.3 million for business expansion.

Details of these and other movements in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

Share Capital and Share Options Schemes

There was no movement in the Company's authorised and issued share capital during the year. Details of the Company's share capital and share option schemes are set out in notes 27 and 28 to the consolidated financial statements respectively.

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 Samson Hang Chin – Deputy Chairman

Independent Non-executive Directors:
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Mr. Xu Jian Hua

The Company's Bye-laws provides that one-third of the directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, shall retire from office by rotation at each annual general meeting. Notwithstanding the provisions of the Company's Bye-laws, the company intends to comply with the Code Provision A.4.2 in the way of having not less than one-third of all directors retiring at each annual general meeting. As such, at the forthcoming 2007 annual general meeting of the Company, Mr. Li Chi Chung and Mr. Chiu Samson Hang Chin retire and, being eligible, offers themselves for re-election. All other remaining directors continue in office.

Directors' Service Contracts

Mr. Li Chi Chung and Mr. So Stephen Hon Cheung were appointed for a term of 2 years expiring on 9 June 2008 and 13 September 2008 respectively. Mr. Xu Jian Hua was appointed for a term of 1 year expiring on 29 September 2007.

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 2007, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Samson Hang Chin	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	4,000,000	4,000,000
Mr. Chiu Samson Hang Chin	Beneficial owner	6,700,000	6,700,000

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 2007. The non-voting deferred shares practically carry no rights to dividends 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 2007, 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 consolidated 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 remained in effect in respect of the outstanding options previously granted. All share options granted under the Old Scheme lapsed during the year.

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 2007 which have been granted under the Old Scheme and the New Scheme to certain directors to subscribe for shares in the Company are as follows:

Name of director	Date of grant	Exercisable period	Exercise price	Number of share options at 1 July 2006	Granted	Lapsed	Number of share options at 30 June 2007
		(both dates inclusive)	HK$				
Old Scheme							
Mr. Chiu Hang Tai	31.1.2000	28.1.2002 to 27.1.2007	1.674	1,088,000	-	(1,088,000)	-
Mr. Chiu Samson Hang Chin	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 31.10.2009	0.149	4,000,000	-	-	4,000,000
Mr. Chiu Samson Hang Chin	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000	-	-	4,000,000
	30.3.2007	1.1.2009 to 31.12.2011	0.248	-	2,700,000	-	2,700,000
				10,176,000	2,700,000	(2,176,000)	10,700,000

As at 30 June 2007, the number of shares in respect of which options had been granted to directors under the share option schemes was 10,700,000, representing 1.57% of the shares of the Company in issue at that date.

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 2007, 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 long 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 British Virgin Islands ("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 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 Samson Hang Chin 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 2007.

Directors' Interests in Contracts

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

Convertible Securities, Options, Warrants or Similar Rights

Other than the share options as set out in note 28 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2007.

Appointment of Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM listing Rules. The Company considers all of the independent non-executive directors are independent.

Emolument Policy

The emolument policy regarding the employees of the Group is set up by the board of directors and is based on their merit, qualifications and competence.

The emoluments of the directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the share option schemes are set out in note 28 to the consolidated financial statements.

Directors' Report

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 Stephen Hon Cheung and Xu Jian Hua.

Up to the date of approval of these consolidated financial statements, the Audit Committee has held four meetings and has reviewed and commented on the Company's draft quarterly report and annual financial reports.

Purchase, Sale or Redemption of Listed Securities

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

Auditors

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chiu Hang Tai
CHAIRMAN

Hong Kong, 20 September 2007

Deloitte.
德勤

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 consolidated financial statements of PINE Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 79, which comprise the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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

20 September 2007

Consolidated Income Statement

For the year ended 30 June 2007

	NOTES	**2007**	2006
		US$'000	US$'000
Turnover	*5*	**401,797**	354,217
Cost of sales		**(365,056)**	(323,716)
Gross profit		**36,741**	30,501
Other income		**1,205**	898
Selling and distribution expenses		**(8,557)**	(7,059)
General and administrative expenses		**(19,516)**	(15,894)
Share of results of an associate		**-**	(142)
Share of results of a jointly controlled entity		**-**	51
Finance costs	*6*	**(4,680)**	(3,565)
Profit before taxation		**5,193**	4,790
Taxation	*9*	**(830)**	(1,253)
Profit for the year	*10*	**4,363**	3,537
Attributable to:			
Equity holders of the parent		**4,574**	3,606
Minority interests		**(211)**	(69)
		4,363	3,537
Earnings per share	*11*		
Basic (US cents)		**0.67**	0.53
Diluted (US cents)		**0.67**	0.53

Consolidated Balance Sheet

At 30 June 2007

	NOTES	2007	2006
		US$'000	US$'000
Non-current assets			
Property, plant and equipment	*12*	**9,256**	7,596
Development costs	*13*	**370**	341
Trademarks	*14*	**112**	86
Available-for-sale investments	*15*	**2,245**	423
Interest in an associate	*16*	**-**	-
Deferred taxation	*29*	**786**	148
Deposits for property, plant and equipment		**-**	621
		12,769	9,215
Current assets			
Inventories	*17*	**59,593**	47,938
Trade and other receivables	*18*	**73,440**	64,438
Amount due from an associate	*36(b)*	**-**	2,525
Tax recoverable		**46**	86
Pledged bank deposits	*19*	**8,933**	3,181
Bank balances and cash	*20*	**18,880**	10,155
		160,892	128,323
Current liabilities			
Trade and other payables	*21*	**42,736**	31,495
Bills payable	*22*	**425**	1,275
Derivative financial instruments	*23*	**1,185**	-
Tax payable		**2,123**	1,034
Obligations under finance leases	*24*	**79**	74
Bank borrowings	*25*	**54,834**	41,542
Other borrowings	*26*	**9,973**	7,061
		111,355	82,481
Net current assets		**49,537**	45,842
		62,306	55,057

Consolidated Balance Sheet

At 30 June 2007

	NOTES	2007	2006
		US$'000	US$'000
Capital and reserves			
Share capital	*27*	**8,790**	8,790
Share premium and reserves		**52,614**	45,940
Equity attributable to equity holders of the parent		**61,404**	54,730
Minority interests		**-**	215
Total equity		**61,404**	54,945
Non-current liabilities			
Obligations under finance leases	*24*	**40**	112
Bank borrowings	*25*	**862**	-
		902	112
		62,306	55,057

The financial statements on pages 29 to 79 were approved and authorised for issue by the Board of Directors on 20 September 2007 and are signed on its behalf by:

Chiu Hang Tai
DIRECTOR

Chiu Samson Hang Chin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2007

	Attributable to equity holders of the parent										
	Share capital	Share premium account	Surplus account	Exchange reserve	Capital reserve	Investments revaluation reserve	Share option reserve	Retained profits	Total	Minority interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 July 2005	8,790	22,215	2,954	817	67	(778)	-	15,624	49,689	292	49,981
Exchange differences arising on translation of overseas operations	-	-	-	591	-	-	-	-	591	(8)	583
Share of exchange reserve of an associate	-	-	-	65	-	-	-	-	65	-	65
Deficit on revaluation on available-for-sale investments	-	-	-	-	-	(321)	-	-	(321)	-	(321)
Net income and expense recognised directly in equity	-	-	-	656	-	(321)	-	-	335	(8)	327
Profit (loss) for the year	-	-	-	-	-	-	-	3,606	3,606	(69)	3,537
Total recognised income and expense for the year	-	-	-	656	-	(321)	-	3,606	3,941	(77)	3,864
Impairment loss recognised on available-for-sale investments	-	-	-	-	-	1,099	-	-	1,099	-	1,099
Recognition of equity-settled share-based payment	-	-	-	-	-	-	1	-	1	-	1
At 30 June 2006	8,790	22,215	2,954	1,473	67	-	1	19,230	54,730	215	54,945
Exchange differences arising on translation of overseas operations	-	-	-	276	-	-	-	-	276	(4)	272
Surplus on revaluation on available-for-sale investments	-	-	-	-	-	2,378	-	-	2,378	-	2,378
Net income and expense recognised directly in equity	-	-	-	276	-	2,378	-	-	2,654	(4)	2,650
Transfer to profit or loss on sale of available-for-sale investment	-	-	-	-	-	(480)	-	-	(480)	-	(480)
Reserve released upon winding up of subsidiaries	-	-	-	(128)	(4)	-	-	4	(128)	-	(128)
Profit (loss) for the year	-	-	-	-	-	-	-	4,574	4,574	(211)	4,363
Total recognised income and expense for the year	-	-	-	148	(4)	1,898	-	4,578	6,620	(215)	6,405
Recognition of equity-settled share-based payment	-	-	-	-	-	-	54	-	54	-	54
At 30 June 2007	8,790	22,215	2,954	1,621	63	1,898	55	23,808	61,404	-	61,404

Notes:

(1) 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.

(2) 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 People's Republic of China ("PRC").

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
	US$'000	US$'000
OPERATING ACTIVITIES		
Profit before taxation	**5,193**	4,790
Adjustments for:		
Finance costs	**4,680**	3,565
Share of results of an associate	**-**	142
Share of results of a jointly controlled entity	**-**	(51)
Interest income	**(263)**	(133)
Loss on disposal of property, plant and equipment	**23**	31
Allowance for doubtful debts	**669**	844
Allowance for inventories	**1,244**	1,136
Impairment loss recognised on investments in securities	**-**	1,099
Amortisation of development costs	**360**	361
Amortisation of trademarks	**7**	8
Depreciation of property, plant and equipment	**1,938**	1,626
Fair value loss on derivative financial instruments	**1,185**	-
Gain on disposal of available-for-sale investments	**(480)**	-
Gain on winding up of subsidiaries	**(128)**	-
Share option expenses	**54**	-
Operating cash flow before movements in working capital	**14,482**	13,418
Increase in inventories	**(12,617)**	(16,683)
Increase in trade and other receivables	**(10,237)**	(9,612)
Increase in trade and other payables	**10,083**	5,682
Decrease in bills payable	**(850)**	(3,533)
Decrease in amount due to a jointly controlled entity	**-**	(17)
Cash generated from (used in) operations	**861**	(10,745)
Interest paid on bank borrowings	**(3,715)**	(2,748)
Interest paid on other borrowings	**(965)**	(817)
Hong Kong Profits tax paid	**(63)**	(9)
Overseas tax paid	**(258)**	(594)
NET CASH USED IN OPERATING ACTIVITIES	**(4,140)**	(14,913)

Consolidated Cash Flow Statement

For the year ended 30 June 2007

	2007	2006
	US$'000	US$'000
INVESTING ACTIVITIES		
Interest received	**263**	133
Proceeds from disposal of available-for-sale investments	**556**	-
Proceeds from disposal of property, plant and equipment	**125**	2
Proceeds from disposal of interest in a subsidiary	**-**	(3)
Proceeds from disposal of an associate	**1,729**	-
Repayment from an associate	**796**	2,627
Purchase of property, plant and equipment	**(1,756)**	(3,041)
Development expenditure incurred	**(376)**	(402)
Acquisition of trademark	**(30)**	(29)
Increase in pledged bank deposits	**(5,515)**	(816)
NET CASH USED IN INVESTING ACTIVITIES	**(4,208)**	(1,529)
FINANCING ACTIVITIES		
New bank borrowings raised	**249,071**	14,024
Other borrowings raised	**105,352**	3,953
Repayment of bank borrowings	**(237,086)**	(4,404)
Repayment of obligations under finance leases	**(67)**	(22)
Repayment of other borrowings	**(102,440)**	-
NET CASH FROM FINANCING ACTIVITIES	**14,830**	13,551
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,482**	(2,891)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,155**	12,807
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**676**	239
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**17,313**	10,155
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**18,880**	10,155
Bank overdrafts	**(1,567)**	-
	17,313	10,155

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 addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate information" set out in the annual report.

The consolidated financial statements are presented in United States dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 37.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for current accounting period. The application of the new HKFRSs has no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment and interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) – INT 12	Service Concession Arrangements[5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 November 2006
[4] Effective for annual periods beginning on or after 1 March 2007
[5] Effective for annual periods beginning on or after 1 January 2008

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. Significant Accounting Policies *(Continued)*

Interest in an associate

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, interest in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than freehold land, over their estimated useful lives using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

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.

Trademarks

Trademarks are measured initially at cost and amortised on a straight-line basis over their estimated useful lives.

Impairment losses

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 an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is 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.

3. Significant Accounting Policies *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivable or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

Financial liabilities including trade and other payables, bills payable, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives of the Group do not qualify for hedge accounting and thus they are deemed as financial assets held for trading or financial liabilities held for trading and recognised at fair value at each balance sheet date. Changes in fair values of such derivatives are recognised directly in profit or loss for the year and recognised at fair value at each balance sheet date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial assets, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowings costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. Significant Accounting Policies *(Continued)*

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. United States dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Share options granted to directors of the Company and employees of the Group

Share options granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the Group's consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options 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 share is recorded by the Company as share premium.

3. Significant Accounting Policies *(Continued)*

Share-based payment transactions *(Continued)*

Share options granted to directors of the Company and employees of the Group *(Continued)*

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited subsequent to vesting or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

Retirement benefits schemes contributions

Payments to the defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. Financial Instruments

a. Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

Certain financial assets and liabilities (as disclosed in note 20, 21 and 25) of the Group are denominated in foreign currencies. In order to reduce the risks associated with foreign currency fluctuations, the Group has entered into foreign currency forward contracts to hedge against certain of its exposure to changes of foreign exchange rate. However, as these foreign currency forward contracts do not qualify for hedge accounting, they are deemed as financial assets or liabilities held for trading.

4. Financial Instruments *(Continued)*

a. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

The Group's investments in equity instruments are measured at fair values at each balance sheet date. Therefore, the Group is exposed to equity price risk in relation to these investments. The management manages this exposure by reviewing the fair value of investments regularly.

Interest rate risk

The Group's interest rate risk exposure arises mainly from pledged bank deposits and bank deposits and bank and other borrowings. The Group's pledged bank deposits and bank deposits have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate. The Group's bank and other borrowings, which are at fixed and commercial floating rates, are exposing to the fair value interest rate risk and cash flow interest rate risk. The management will consider hedging significant interest rate exposure should the need arise.

Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitor its cash flow position.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2007 in relation to each class of recognised financial assets is the carrying value of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to trade receivables. The amounts of trade receivables presented in the consolidated balance sheet are net of allowances for doubtful receivables. In order to minimise the credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

4. Financial Instruments *(Continued)*

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of the available-for-sale investments with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. Turnover and Segment Information

Turnover

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

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:

2007

INCOME STATEMENT

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
REVENUE			
External sales	276,439	125,358	401,797
RESULT			
Segment result	10,165	423	10,588
Unallocated other income			871
Finance costs			(4,680)
Unallocated corporate expense			(1,586)
Profit before taxation			5,193
Taxation			(830)
Profit for the year			4,363

5. Turnover and Segment Information *(Continued)*

BALANCE SHEET

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
ASSETS			
Segment assets	131,814	29,837	161,651
Unallocated corporate assets			12,010
Consolidated total assets			173,661
LIABILITIES			
Segment liabilities	34,386	9,960	44,346
Unallocated corporate liabilities			67,911
Consolidated total liabilities			112,257

OTHER INFORMATION

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
Capital expenditure	3,556	103	3,659
Depreciation and amortisation	2,149	156	2,305
Allowance for doubtful debts	333	336	669
Allowance for inventories	469	775	1,244

5. Turnover and Segment Information *(Continued)*

2006

INCOME STATEMENT

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
REVENUE			
External sales	224,131	130,086	354,217
RESULT			
Segment result	8,355	1,930	10,285
Unallocated other income			133
Impairment loss recognised on available-for-sale investments			(1,099)
Unallocated corporate expenses			(873)
Share of results of an associate	-	(142)	(142)
Share of results of a jointly controlled entity	-	51	51
Finance costs			(3,565)
Profit before taxation			4,790
Taxation			(1,253)
Profit for the year			3,537

5. Turnover and Segment Information *(Continued)*

BALANCE SHEET

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
ASSETS			
Segment assets	107,016	26,684	133,700
Unallocated corporate assets			3,838
Consolidated total assets			137,538
LIABILITIES			
Segment liabilities	25,814	7,142	32,956
Unallocated corporate liabilities			49,637
Consolidated total liabilities			82,593

OTHER INFORMATION

	Group brand products	Other brand products	Consolidated
	US$'000	US$'000	US$'000
Capital expenditure	4,930	190	5,120
Depreciation and amortisation	1,758	237	1,995
Allowance for doubtful debts	408	436	844
Allowance for inventories	801	335	1,136

5. 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	
	2007	2006
	US$'000	US$'000
North America	**220,019**	202,190
Europe	**100,737**	76,539
Asia	**77,137**	69,083
Others	**3,904**	6,405
	401,797	354,217

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 segment assets		Capital expenditure	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
North America	**49,402**	38,476	**174**	255
Europe	**16,751**	12,590	**406**	184
Asia	**94,894**	81,926	**3,079**	4,681
Others	**604**	708	**-**	-
	161,651	133,700	**3,659**	5,120

6. Finance Costs

	2007	2006
	US$'000	US$'000
Interest on bank borrowings wholly repayable within five years	**3,730**	2,748
Interest on other borrowings wholly repayable within five years	**950**	817
	4,680	3,565

7. Directors' Remuneration

	2007	2006
	US$'000	US$'000
Fees:		
Executive directors	**-**	-
Independent non-executive directors	**45**	48
	45	48
Other emoluments to executive directors:		
Basic salaries and other benefits	**445**	381
Retirement benefits schemes contributions	**2**	2
	447	383
	492	431

7. Directors' Remuneration *(Continued)*

The details of emoluments of the directors are as follows:

	Basic salaries and other benefits		Retirement benefits schemes contributions		Total	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Executive directors						
Mr. Chiu Hang Tai	**284**	240	**2**	2	**286**	242
Mr. Chiu Samson Hang Chin	**161**	141	**-**	-	**161**	141
	445	381	**2**	2	**447**	383
Independent non-executive directors						
Mr. Li Chi Chung	**15**	16	**-**	-	**15**	16
Mr. So Stephen Hon Cheung	**15**	16	**-**	-	**15**	16
Mr. Xu Jian Hua	**15**	16	**-**	-	**15**	16
	45	48	**-**	-	**45**	48
	490	429	**2**	2	**492**	431

8. Employees' Remuneration

The five highest paid individuals of the Group included two (2006: two) executive directors of the Company, whose emoluments are included in note 7 above. The emoluments of the remaining three (2006: three) individuals are as follows:

	2007	2006
	US$'000	US$'000
Basic salaries and other benefits	**644**	488
Retirement benefits schemes contributions	**-**	13
	644	501

Their emoluments were within the following bands:

	2007	2006
	Number of employees	Number of employees
Nil to US$129,000	**1**	1
US$129,001 to US$193,000	**-**	1
US$193,001 to US$257,000	**-**	1
US$257,001 to US$322,000	**2**	-

During each of the two years ended 30 June 2007, 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 2007.

9. Taxation

	2007	2006
	US$'000	US$'000
The charge (credit) comprises:		
Profit for the year		
– Hong Kong	**116**	91
– other region in the PRC	**136**	158
– other jurisdictions	**1,225**	888
Overprovision in prior year		
– Hong Kong	**(11)**	-
– other jurisdictions	**(39)**	(6)
	1,427	1,131
Deferred taxation *(note 29)*	**(597)**	122
Taxation attributable to the Company and its subsidiaries	**830**	1,253

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

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"), is 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.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new income tax rates for PRC enterprises are unified at 25% and will be effective from 1 January, 2008. However, QET will still be eligible for the 50% tax exemption provided that it has fulfilled the export requirements under the relevant tax regulations in the PRC.

9. Taxation *(Continued)*

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

	2007	2006
	US$'000	US$'000
Profit before taxation	**5,193**	4,790
Tax charge at the applicable tax rate of 40% (2006: 40%) *(note)*	**2,077**	1,916
Tax effect of expenses not deductible for tax purpose	**842**	598
Tax effect of income not taxable for tax purpose	**(243)**	(117)
Tax effect of tax losses not recognised	**14**	-
Utilisation of tax losses previously not recognised	**-**	(98)
Overprovision in respect of prior year	**(50)**	(6)
Income tax at concessionary tax rate	**(101)**	(74)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,822)**	(1,032)
Effect of share of results of a jointly controlled entity	**-**	(20)
Effect of share of results of an associate	**-**	55
Others	**113**	31
Tax charge for the year	**830**	1,253

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

10. Profit for the Year

	2007	2006
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Allowance for doubtful debts	**669**	844
Allowance for inventories	**1,244**	1,136
Amortisation charges:		
Development costs	**360**	361
Trademarks	**7**	8
Auditor's remuneration	**428**	319
Cost of inventories recognised as an expense	**363,812**	322,580
Depreciation of property, plant and equipment	**1,938**	1,626
Fair value loss on derivative financial instruments	**1,185**	-
Impairment loss recognised on available-for-sale investments included in general and administrative expenses	**-**	1,099
Loss on disposal of property, plant and equipment	**23**	31
Operating lease rentals in respect of land and buildings	**1,224**	956
Research and development costs	**547**	714
Staff costs including directors' remuneration	**13,475**	11,056
Less: Staff costs capitalised in development costs	**(283)**	(304)
	13,192	10,752
and after crediting:		
Exchange gain	**293**	465
Gain on disposal of available-for-sale investments	**480**	-
Gain on winding up of subsidiaries	**128**	-
Interest income	**263**	133

11. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2007	2006
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	**4,574**	3,606

	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**682,786**	682,786
Effect of dilutive potential ordinary shares:		
Share options	**3,863**	1,229
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**686,649**	684,015

12. Property, Plant and Equipment

	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Computer equipment	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST						
At 1 July 2005	3,436	6,022	82	952	1,660	12,152
Exchange adjustments	77	143	-	5	47	272
Additions	1,112	2,905	284	213	175	4,689
Disposals	-	(367)	-	(445)	(874)	(1,686)
At 30 June 2006	4,625	8,703	366	725	1,008	15,427
Reclassification	39	3	-	(198)	156	-
Exchange adjustments	308	610	-	5	51	974
Additions	82	2,551	13	172	435	3,253
Disposals	(138)	(2,059)	-	(109)	(43)	(2,349)
At 30 June 2007	4,916	9,808	379	595	1,607	17,305
DEPRECIATION AND AMORTISATION						
At 1 July 2005	2,137	3,476	17	807	1,243	7,680
Exchange adjustments	48	87	-	4	39	178
Provided for the year	373	929	38	69	217	1,626
Eliminated on disposals	-	(358)	-	(445)	(850)	(1,653)
At 30 June 2006	2,558	4,134	55	435	649	7,831
Reclassification	13	209	-	(157)	(65)	-
Exchange adjustments	183	267	-	2	29	481
Provided for the year	453	1,180	72	53	180	1,938
Eliminated on disposals	(131)	(1,956)	-	(82)	(32)	(2,201)
At 30 June 2007	3,076	3,834	127	251	761	8,049
CARRYING VALUES						
At 30 June 2007	1,840	5,974	252	344	846	9,256
At 30 June 2006	2,067	4,569	311	290	359	7,596

12. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

	Estimated useful lives
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

The carrying values of motor vehicles and furniture, fixture and equipment include an amount of US$133,000 (2006: US$168,000) and US$47,000 (2006: US$53,000) respectively in respect of assets held under finance lease.

13. Development Costs

	US$'000
COST	
At 1 July 2005	7,083
Exchange adjustments	24
Additions	402
At 30 June 2006	7,509
Exchange adjustments	144
Additions	376
At 30 June 2007	**8,029**
AMORTISATION	
At 1 July 2005	6,787
Exchange adjustments	20
Provided for the year	361
At 30 June 2006	7,168
Exchange adjustments	131
Provided for the year	360
At 30 June 2007	**7,659**
CARRYING VALUES	
At 30 June 2007	**370**
At 30 June 2006	341

The amortisation period for development costs is two years.

14. Trademarks

	US$'000
COST	
At 1 July 2005	110
Addition	29
At 30 June 2006	139
Exchange adjustments	7
Addition	30
At 30 June 2007	**176**
AMORTISATION	
At 1 July 2005	45
Provided for the year	8
At 30 June 2006	53
Exchange adjustments	4
Provided for the year	7
At 30 June 2007	**64**
CARRYING VALUES	
At 30 June 2007	**112**
At 30 June 2006	86

15. Available-for-sale Investments

	2007	2006
	US$'000	US$'000
Listed equity securities in Hong Kong, at fair value	**2,245**	423

As at the balance sheet date, all available-for-sale investments are stated at fair value, which have been determined by reference to bid prices quoted in active markets.

The Group has pledged the available-for-sale investments with an aggregate carrying amount of approximately US$1,328,000 (2006: US$206,000) to secure general banking facilities granted to the Group.

16. Interest In an Associate

	2007	2006
	US$'000	US$'000
Cost of unlisted investment in an associate	**-**	77
Share of post-acquisition losses and reserve	**-**	(77)
	-	-

As at 30 June 2006, the Group had an interest in the following associate:

Name of associate	**Place of incorporation/ operation**	**Proportion of nominal value of issued capital held by the Group**	**Proportion of voting power held**	**Principal activity**
PNS Technology Ltd. ("PNS")	Samoa/PRC	49%	49%	Investment holding

The Group has discontinued recognition of its share of losses of the associate in the prior year. During the year, the Group disposed of its remaining 49% equity interest. Before the disposal of this associate, the unrecognised share of losses for the year and the accumulated unrecognised share of losses amounted to US$69,000 (2006: US$69,000).

17. Inventories

	2007	2006
	US$'000	US$'000
Raw materials	**25,737**	17,349
Work in progress	**2,733**	6,992
Finished goods	**31,123**	23,597
	59,593	47,938

18. Trade and Other Receivables

The Group allows a credit period of 1 to 180 days to its trade customers. The following is an aged analysis of accounts receivable at the balance sheet date:

	2007	2006
	US$'000	US$'000
Current	**48,632**	39,111
1 to 30 days	**7,692**	9,416
31 to 60 days	**4,609**	2,718
61 to 90 days	**2,216**	4,214
Over 90 days	**2,542**	3,558
Trade receivables	**65,691**	59,017
Deposits, prepayments and other receivables	**7,749**	5,421
	73,440	64,438

19. Pledged Bank Deposits

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.

The pledged bank deposits, which carry fixed interest rates ranging from 2.5% to 4.75% (2006: 2.5% to 4.1%) per annum, will be released upon settlement of relevant bank borrowings.

20. Bank Balances and Cash

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.05% to 3% (2006: 2.7% to 3%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at 30 June 2007	10,717
As at 30 June 2006	3,071

21. Trade and Other Payables

The following is an aged analysis of accounts payable at the balance sheet date:

	2007	2006
	US$'000	US$'000
Current	**32,037**	18,143
1 to 30 days	**3,267**	4,495
31 to 60 days	**167**	717
61 to 90 days	**143**	521
Over 90 days	**656**	1,056
Trade payables	**36,270**	24,932
Deposits in advance, accruals and other payables	**6,466**	6,563
	42,736	31,495

Trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at 30 June 2007	13,621
As at 30 June 2006	8,268

22. Bills Payable

At the balance sheet date, bills payable, with maturity date of 30 days, aged within 1 to 30 days.

23. Derivative Financial Instruments

During the year, the Group has used forward foreign currency contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies. These derivatives are not accounted for under hedge accounting.

At 30 June 2007, the Group had outstanding forward foreign currency contracts denominated in United States dollars ("USD") with total notional amount of US$15,000,000 (2006: US$1,000,000). These contracts are measured at fair value at the balance sheet date. Their fair values are determined by reference to information on the quoted prices for equivalent instruments provided by banks.

Major terms of the forward foreign currency contracts outstanding at 30 June 2007 are as follows:

Notional amount	**Maturity**	**Forward exchange rates**
Buy USD15,000,000	5 July 2007 to 20 September 2007	CAD1.0879/USD1 to CAD1.1700/USD1

24. Obligations Under Finance Leases

	Minimum lease payments		**Present value of minimum lease payments**	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable under finance leases				
Within one year	**84**	83	**79**	74
In more than one year but not more than two years	**38**	81	**37**	76
In more than two years but not more than three years	**2**	37	**2**	36
In more than three years but not more than four years	**1**	-	**1**	-
	125	201	**119**	186
Less: Future finance charges	**(6)**	(15)	**N/A**	N/A
Present value of lease obligations	**119**	186	**119**	186
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(79)**	(74)
Amount due for settlement after 12 months			**40**	112

24. Obligations Under Finance Leases *(Continued)*

It is the Group's policy to lease certain of its motor vehicles and fixtures and equipment under finance leases. The average lease term is three years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.2% to 8.4% per annum. No arrangement have been entered into for contingent rental payments.

25. Bank Borrowings

	2007	2006
	US$'000	US$'000
Secured bank borrowings comprise the following:		
Bank overdraft	**1,567**	-
Trust receipts and import loans	**28,067**	23,764
Other bank loans	**26,062**	17,778
	55,696	41,542
Carrying amount repayable:		
On demand or within one year	**54,834**	41,542
More than one year, but not exceeding two years	**541**	-
More than two years, but not exceeding five years	**321**	-
	55,696	41,542
Less: Amount due within one year shown under current liabilities	**54,834**	41,542
	862	-

The Group's variable-rate borrowings carry interest at the United States Prime rate or Hong Kong Prime rate plus 1.65% to 2.5%. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**6.13% - 8.25%**	6% - 7.8%
Variable-rate borrowings	**6.5% - 8.25%**	8%

25. Bank Borrowings *(Continued)*

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$'000
As at 30 June 2007	4,008
As at 30 June 2006	3,237

26. Other Borrowings

Other borrowings, which are secured by certain of the Group's trade receivables and inventories, carry interest at fixed rates ranging from 6.1% to 8.3% (2006: 6% to 8.1%) per annum and are repayable within one year. Details of the pledge of assets are set out in note 31.

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 2005, 30 June 2006 and 30 June 2007	2,000,000,000	200,000	25,747
Issued and fully paid			
At 1 July 2005, 30 June 2006 and 30 June 2007	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 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 2007 to subscribe for the shares in the Company are as follows:

2007

Granted to	Date of grant	Vesting period	Exercisable period	Exercise price	Number of share options at 1 July 2006	Granted	Cancelled	Lapsed	Number of share options at 30 June 2007
			(both dates inclusive)	HK$					
Old Scheme									
Directors	31.1.2000	31.1.2000 - 27.1.2002	28.1.2002 - 27.1.2007	1.674	2,176,000	-	-	(2,176,000)	-
Senior management	31.1.2000	31.1.2000 - 27.1.2002	28.1.2002 - 27.1.2007	1.674	546,000	-	(132,000)	(414,000)	-
	12.4.2001	12.4.2001 - 30.9.2001	1.10.2001 - 30.9.2006	0.335	800,000	-	-	(800,000)	-
					1,346,000	-	(132,000)	(1,214,000)	-
Others	31.1.2000	31.1.2000 - 27.1.2002	28.1.2002 - 27.1.2007	1.674	330,000	-	-	(330,000)	-
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
	30.3.2007	30.3.2007 - 31.12.2008	1.1.2009 - 31.12.2011	0.248	-	2,700,000	-	-	2,700,000
Senior management	21.6.2006	21.6.2007 - 31.12.2007	1.1.2008 -31.12.2010	0.196	2,000,000	-	-	-	2,000,000
Others	30.3.2007	30.3.2007 - 31.12.2008	1.1.2009 - 31.12.2011	0.248	-	10,000,000	-	-	10,000,000
					10,000,000	12,700,000	-	-	22,700,000
					13,852,000	12,700,000	(132,000)	(3,720,000)	22,700,000
Exercisable at the end of the year									8,000,000

28. Share Options *(Continued)*

2006

Granted to	Date of grant	Vesting period	Exercisable period	Exercise price	Number of share options at 1 July 2005	Granted	Lapsed	Number of share options at 30 June 2006
			(both dates inclusive)	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	-	(2,176,000)	2,176,000
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 - 9.7.2005	1.056	214,000	-	(214,000)	-
	12.4.2001	12.4.2001 - 30.9.2001	1.10.2001 - 30.9.2006	0.335	800,000	-	-	800,000
					2,106,000	-	(760,000)	1,346,000
Others	31.1.2000	31.1.2000 - 27.1.2001	28.1.2001 - 27.1.2006	1.674	388,000	-	(388,000)	-
	31.1.2000	31.1.2000 - 27.1.2002	28.1.2002 - 27.1.2007	1.674	330,000	-	-	330,000
	10.7.2000	10.7.2000 - 9.7.2001	10.7.2001 - 9.7.2005	1.056	186,000	-	(186,000)	-
	12.4.2001	12.4.2001 - 15.5.2001	16.5.2001 - 15.5.2006	0.335	4,000,000	-	(4,000,000)	-
					4,904,000	-	(4,574,000)	330,000
					11,362,000	-	(7,510,000)	3,852,000
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
Senior management	21.6.2006	21.6.2006 - 31.12.2007	1.1.2008 -31.12.2010	0.196	-	2,000,000	-	2,000,000
					8,000,000	2,000,000	-	10,000,000
					19,362,000	2,000,000	(7,510,000)	13,852,000
Exercisable at the end of the year								11,852,000

28. Share Options *(Continued)*

The fair value of the options granted was calculated using The Black-Scholes option pricing model. The inputs into the model were as follows:

	2007
Weighted average share price	**HK$0.240**
Exercise price	**HK$0.248**
Expected volatility	**80%**
Expected life	**4.5 years**
Risk-free rate	**4.92%**
Expected dividend yield	**Nil**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous seven years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The estimated fair value of options granted during the year amounted to approximately US$250,000 (2006: US$29,000). The Group recognised the total expense of US$54,000 for the year ended 30 June 2007 in relation to share options granted by the Company.

29. Deferred Taxation

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

	Accelerated tax depreciation	**Tax losses**	**Others**	**Total**
	US$'000	US$'000	US$'000	US$'000
At 1 July 2005	63	(14)	(312)	(263)
Charge (credit) to consolidated income statement for the year	(8)	11	119	122
Exchange differences	(4)	-	(3)	(7)
At 30 June 2006	51	(3)	(196)	(148)
Charge (credit) to consolidated income statement for the year	6	(6)	(597)	(597)
Exchange differences	(3)	-	(38)	(41)
At 30 June 2007	**54**	**(9)**	**(831)**	**(786)**

29. Deferred Taxation *(Continued)*

At 30 June 2007, the Group has estimated tax losses of approximately US$284,000 (2006: US$212,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$54,000 (2006: US$17,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of US$230,000 (2006: US$195,000) due to the unpredictability of future profit streams.

At 30 June 2007, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$4,155,000 (2006: US$4,156,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

30. Major Non-cash Transactions

On 13 February 2007, the Group disposed of the remaining 49% of equity interest in PNS at a consideration of US$2,529,000 of which US$1,729,000 had been received during the year. As at 30 June 2007, US$800,000 was not yet received and this amount was included in other receivables.

During last year, the Group entered into finance leases arrangements in respect of assets with a total capital value at inception of the leases of US$151,000.

31. Pledge of Assets

In addition to the available-for-sale investments and pledged bank deposits as disclosed in notes 15 and 20, the Group has also pledged assets of certain subsidiaries as floating charges to banks and credit institution for facilities of US$43,457,900 (2006: US$47,187,000) granted to the Group at 30 June 2007. The total facilities secured by such floating charges and utilised by the Group as at 30 June 2007 amounted to US$34,397,000 (2006: US$23,094,000). Details of the assets that have been pledged to banks under such floating charges are as follows:

	2007	2006
	US$'000	US$'000
Property, plant and equipment	**615**	643
Inventories	**12,041**	18,451
Trade and other receivables	**36,521**	29,926
Bank balances and cash	**12,226**	1,964
	61,403	50,984

32. Operating Lease Arrangements

At the balance sheet date, 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:

	2007	2006
	US$'000	US$'000
Within one year	**825**	778
In the second to third year inclusive	**776**	1,009
	1,601	1,787

Leases are negotiated for terms ranging from one to three years and rentals are fixed for the period of the lease.

33. Capital Commitments

	2007	2006
	US$'000	US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**-**	452

34. Contingent Liabilities

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 Ontario 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. Samtack has filed a claim against Ontario 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 liable for US$1,794,000 in outstanding levies. The defendants under this litigation are also potentially liable for penalties of up to five times the outstanding levies.

In the opinion of the directors, it is not probable that the Group will need to settle the claim and accordingly has not recognised the liability.

35. Retirement Benefits Schemes

During the year, the Group operated defined contribution retirement benefit 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 schemes 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 schemes 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:

	2007	2006
	US$'000	US$'000
Gross retirement benefits schemes contributions	**158**	163
Less: Forfeited contributions for the year	**(21)**	(1)
Net retirement benefits schemes contributions	**137**	162

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.

36. Related Party Disclosures

(a) At 30 June 2007, Mr. Chiu Samson Hang Chin had assigned his life insurance policy with a face value of not less than US$2,000,000 (2006: US$2,000,000) to a bank to secure general banking facilities granted to the Group amounting to US$20,000,000 (2006: US$20,000,000). The facilities utilised at 30 June 2007 amounted to US$13,779,000 (2006: US$12,409,000).

(b) During last year, the Group received subcontracting income and rental income from an associate amounting to US$306,000 and US$8,500 respectively.

The amount due from an associate at 30 June 2006 was US$2,525,000. The balance was unsecured, interest-free and was fully repaid during the year.

(c) During last year, the Group received subcontracting income and rental income from a jointly controlled entity amounting to US$597,000 and US$8,500 respectively.

(d) The remuneration of executive and non-executive directors and other members of key management during the year was as follows:

	2007	2006
	US$'000	US$'000
Basic salaries and other benefits	**1,134**	917
Retirement benefits schemes contributions	**2**	14
Share-based payment	**-**	1
	1,136	932

37. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at 30 June 2007 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
			%	
Advance Always Limited	British Virgin Islands	US$1	100	Investment holding
All Advance Limited	British Virgin Islands	US$1	100	Investment holding
E23 Inc.	Samoa/PRC	US$10,000	100	Wholesaling and distribution of computer components
Eagle Technology Inc.	Samoa	US$1	100	Investment holding
Eastcom, Inc. (Alternate names: Pine Technology USA, Samtack USA Inc. and XFX Technology USA)	United States of America	US$1,000	100	Wholesaling and distribution of computer components
Elite View Development Ltd.	Hong Kong	HK$1	100	Provision of services to group companies
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
東莞嘉耀電子有限公司	PRC	RMB1,550,555	100 *(note c)*	Manufacturing of electronics and computer digital audio device
Pan Eagle Limited	British Virgin Islands	US$100	100	Investment holding

37. 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 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 Lab TW Co. Ltd.	Republic of China	NTW1,000,000	100	Provision of research and development services
Pine Technology and Components Limited	United Kingdom	GBP100	100	Trademarks holding
Pine Technology (Macao Commercial Offshore) Ltd	Macau	MOP100,000	100	Wholesaling and distribution of computer components
Pine Technology Limited	Hong Kong	HK$3	100	Wholesaling and distribution of computer components
Pine Technology Netherlands B.V.	Netherlands	EUR18,200	100	Wholesaling and distribution of computer components

37. 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
Quality Eagle Limited	Samoa	US$2	100	Investment holding
Quality Eagle Technology Dongguan Ltd (品嘉電子（東莞）有限公司)	PRC	RMB44,119,689*	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

37. 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) Subsidiaries in the PRC are wholly foreign owned enterprises.

None of the subsidiaries had any debt securities outstanding at 30 June 2007 or at any time during the year.

Financial Summary

	Year ended 30 June				
	2003	2004	2005	2006	**2007**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Turnover	226,910	227,396	264,093	354,217	**401,797**
Cost of sales	(209,284)	(207,432)	(241,538)	(323,716)	**(365,056)**
Gross profit	17,626	19,964	22,555	30,501	**36,741**
Other income	1,116	254	559	898	**1,205**
Selling and distribution expenses	(3,792)	(3,554)	(4,720)	(7,059)	**(8,557)**
General and administrative expenses	(13,329)	(13,271)	(13,448)	(15,894)	**(19,516)**
Share of results of an associate	-	-	-	(142)	**-**
Share of results of a jointly controlled entity	(52)	5	72	51	**-**
Finance costs	(2,235)	(1,559)	(1,805)	(3,565)	**(4,680)**
(Loss) profit before taxation	(666)	1,839	3,213	4,790	**5,193**
Taxation	(215)	(145)	(701)	(1,253)	**(830)**
(Loss) profit for the year	(881)	1,694	2,512	3,537	**4,363**
Attributable to:					
Equity holders of the parent	(887)	1,568	2,347	3,606	**4,574**
Minority interests	6	126	165	(69)	**(211)**
	(881)	1,694	2,512	3,537	**4,363**

	As at 30 June				
	2003	2004	2005	2006	**2007**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS, LIABILITIES AND EQUITY					
Total assets	103,542	100,225	115,064	137,538	**173,661**
Total liabilities	(56,477)	(52,837)	(65,083)	(82,593)	**(112,257)**
	47,065	47,388	49,981	54,945	**61,404**
Equity attributable to equity holders of the parent	47,007	47,202	49,689	54,730	**61,404**
Minority interests	58	186	292	215	**-**
	47,065	47,388	49,981	54,945	**61,404**

PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
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