PINE

PINE TECHNOLOGY HOLDINGS LIMITED

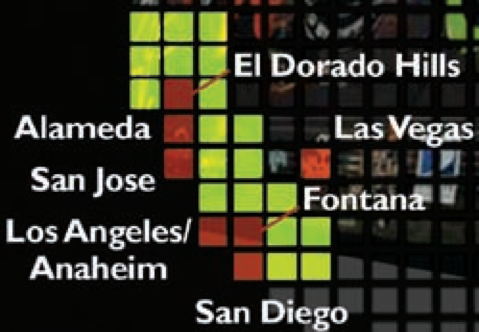
2008 Interim Report

2008 中期業績報告

Stock Code: 8013

the Lives of Gamers Around the World

XFX CHALLENGE I GAMING ROAD TOUR



XFX Touching PINE the Lives of Gamers Around the World

- PINE and XFX launch its first-ever XFX Challenge I Road Tour
- Thousands of gamers enter, and a core team of seven is selected through online voting
- The competition begins at the E for All event in Los Angeles, California, where Team XFX loses to LA CompLexity, the best professional Counter Strike Source team in the world
- The XFX team spends the next eight weeks participating in head-to-head competitions and LAN events
- The tour ends with Team XFX enjoying a rematch against LA CompLexity, this time surprising the gaming community—and themselves— by winning
- Gamer forums and blogs are alive with the hum that the XFX Challenge I Road Tour generated
- XFX enjoys an infusion of interest in its product lines, with the Tour's multi-pronged media efforts generating 408 million unique impressions
- The XFX Challenge I Tour. Just another way that PINE and XFX are touching the lives of gamers worldwide

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

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This report, for which the directors of PINE Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("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.

RESULTS HIGHLIGHTS

For the six months ended 31 December 2007:

- Revenue reported at approximately US$270,439,000.
- Net profit attained at approximately US$2,298,000.

INTERIM RESULTS

On behalf of the board of the directors (the "Directors") of PINE Technology Holdings Limited (the "Company"), I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, "PINE" or the "Group") for the six months (the "Half-Yearly Period") and the three months (the "Quarterly Period") ended 31 December 2007.

Condensed Consolidated Income Statement

The unaudited consolidated results of the Group for the Half-Yearly and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 2006 are as follows:

		Unaudited			
		Six months ended 31 December		**Three months ended 31 December**	
		2007	2006	**2007**	2006
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Turnover	2	**270,439**	207,357	**144,756**	114,929
Cost of sales		**(247,176)**	(189,652)	**(132,626)**	(105,582)
Gross profit		**23,263**	17,705	**12,130**	9,347
Other income		**1,509**	223	**1,141**	37
Selling and distribution expenses		**(6,149)**	(3,423)	**(3,500)**	(1,931)
General and administrative expenses		**(13,473)**	(10,540)	**(6,754)**	(5,080)
Finance costs		**(2,270)**	(2,140)	**(1,108)**	(1,125)
Profit before taxation	3	**2,880**	1,825	**1,909**	1,248
Taxation	4	**(582)**	(271)	**(347)**	(208)
Profit for the period		**2,298**	1,554	**1,562**	1,040
Earnings per share	5				
– Basic (US cents)		**0.337**	0.228	**0.229**	0.152
– Diluted (US cents)		**0.330**	0.227	**0.225**	0.152

Condensed Consolidated Balance Sheet

The unaudited consolidated balance sheet as at 31 December 2007, together with the audited balance sheet as at 30 June 2007 are as follows:

	Notes	**(Unaudited) 31 December 2007 *US$'000***	(Audited) 30 June 2007 *US$'000*
Non-current assets			
Property, plant and equipment		**11,092**	9,256
Development costs		**490**	370
Trademarks		**113**	112
Available-for-sale investments		**1,084**	2,245
Deferred taxation		**840**	786
		13,619	12,769
Current assets			
Inventories		**65,593**	59,593
Trade and other receivables	6	**105,715**	73,440
Tax recoverable		**–**	46
Pledged bank deposits		**4,783**	8,933
Bank balances and cash		**11,129**	18,880
		187,220	160,892
Current liabilities			
Trade and other payables	7	**77,119**	42,736
Bills payable		**450**	425
Derivative financial instruments		**154**	1,185
Tax payable		**1,568**	2,123
Obligations under finance leases		**66**	79
Bank borrowings		**40,975**	54,834
Other borrowings		**16,340**	9,973
		136,672	111,355
Net current assets		**50,548**	49,537
Total assets less current liabilities		**64,167**	62,306
Capital and reserves			
Share capital		**8,790**	8,790
Share premium and reserves		**54,883**	52,614
Total equity		**63,673**	61,404
Non-current liabilities			
Obligations under finance leases		**13**	40
Bank borrowings		**481**	862
		494	902
		64,167	62,306

Condensed Consolidated Cash Flow Statement

The unaudited consolidated cash flow statement for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2006 are as follows:

	Unaudited Six months ended 31 December	
	2007	2006
	US$'000	*US$'000*
Net cash outflow from operating activities	**(1,113)**	(10,985)
Net cash inflow/(outflow) from investing activities	**2,001**	(2,559)
Net cash (outflow)/inflow from financing activities	**(9,099)**	12,085
Decrease in cash and cash equivalents	**(8,211)**	(1,459)
Cash and cash equivalents at 1 July	**18,880**	10,155
Effect of foreign exchange rate changes	**460**	(285)
Cash and cash equivalents at 31 December	**11,129**	8,411

Consolidated Statement of Changes in Equity

The unaudited consolidated statement of changes in equity for the Half-Yearly Period, together with the unaudited comparative figures for the corresponding period in 2006 are as follows:

	Share capital US$'000	Share premium account US$'000	Surplus account US$'000	Exchange reserve US$'000	Capital reserve US$'000	Investments revaluation reserve US$'000	Share option reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 July 2006	8,790	22,215	2,954	1,473	67	–	1	19,230	54,730
Exchange differences arising on translation of overseas operations	–	–	–	(176)	–	–	–	–	(176)
Surplus on revaluation on available-for-sale investments	–	–	–	–	–	220	–	–	220
Net income and expense recognized directly in equity	–	–	–	(176)	–	220	–	–	44
Profit for the period	–	–	–	–	–	–	–	1,554	1,554
Total recognised income and expense for the period	–	–	–	(176)	–	220	–	1,554	1,598
Recognition of equity-settled share-based payment	–	–	–	–	–	–	10	–	10
At 31 December 2006	8,790	22,215	2,954	1,297	67	220	11	20,784	56,338
At 1 July 2007	**8,790**	**22,215**	**2,954**	**1,621**	**63**	**1,898**	**55**	**23,808**	**61,404**
Exchange differences arising on translation of overseas operations	**-**	**-**	**-**	**819**	**-**	**-**	**-**	**-**	**819**
Deficit on revaluation on available-for-sale investments	**-**	**-**	**-**	**-**	**-**	**(204)**	**-**	**-**	**(204)**
Net income and expense recognized directly in equity	**-**	**-**	**-**	**819**	**-**	**(204)**	**-**	**-**	**615**
Transfer to profit or loss on sale of available-for-sale investments	**-**	**-**	**-**	**-**	**-**	**(800)**	**-**	**-**	**(800)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,298**	**2,298**
Total recognised income and expense for the period	**-**	**-**	**-**	**819**	**-**	**(1,004)**	**-**	**2,298**	**2,113**
Recognition of equity-settled share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**156**	**-**	**156**
At 31 December 2007	**8,790**	**22,215**	**2,954**	**2,440**	**63**	**894**	**211**	**26,106**	**63,673**

NOTES TO CONDENSED INTERIM ACCOUNTS:

1. Basis of presentation

The unaudited condensed consolidated financial information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. They have also been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and method of computation used in the preparation of condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2007, except as described below.

During the period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The application of the new HKFRSs has had no material effect on results and financial positions for the current and prior accounting periods.

2. Segment information

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

An analysis of the Group's unaudited turnover and results for the Half-Yearly Period together with the corresponding period in 2006 by business segment is presented below:

	Group brand products		**Other brand products**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue						
External sales	**183,174**	142,574	**87,265**	64,783	**270,439**	207,357
Result						
Segment result	**3,937**	3,707	**1,152**	768	**5,089**	4,475
Unallocated other revenue					**925**	124
Unallocated corporate expenses					**(864)**	(634)
Finance costs					**(2,270)**	(2,140)
Profit before taxation					**2,880**	1,825
Taxation					**(582)**	(271)
Profit for the period					**2,298**	1,554
Assets						
Segment assets	**154,134**	137,033	**39,998**	33,110	**194,132**	170,143
Unallocated assets					**6,707**	4,437
Consolidated total assets					**200,839**	174,580
Liabilities						
Segment liabilities	**55,418**	41,462	**22,305**	14,793	**77,723**	56,255
Unallocated liabilities					**59,443**	61,773
Consolidated total liabilities					**137,166**	118,028
Other information						
Capital expenditure	**3,123**	2,180	**140**	56	**3,263**	2,236
Depreciation and amortization	**1,335**	1,016	**53**	104	**1,388**	1,120

The unaudited geographical segment information for the Half-Yearly Period together with the corresponding half-yearly period in 2006 is as follows:

	Turnover by geographical market		Carrying amount of segment assets		Capital expenditures	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
North America	**148,368**	113,778	**71,218**	49,154	**363**	109
Europe	**74,345**	49,617	**25,478**	24,390	**201**	192
Asia	**45,227**	40,310	**103,396**	100,132	**2,699**	1,935
Others	**2,499**	3,652	**747**	904	**–**	–
	270,439	207,357	**200,839**	174,580	**3,263**	2,236

3. Profit before taxation

	Six months ended 31 December		Three months ended 31 December	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
Profit before taxation has been arrived at after charging/(crediting):				
Depreciation and amortization	**1,388**	1,120	**747**	666
Loss on disposal of property, plant and equipment	**–**	126	**–**	17
Gain on disposal of available-for-sale investments	**(800)**	–	**(650)**	–

4. Taxation

	Six months ended 31 December		Three months ended 31 December	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
The charge comprises:				
– Hong Kong Profits Tax	**4**	37	**4**	37
– Taxation arising in other jurisdictions	**578**	234	**343**	171
	582	271	**347**	208

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the Half-Yearly Period and Quarterly Period.

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

5. Earnings per share

The calculation of the basic earnings per share and diluted earnings per share for the Half-Yearly Period, the Quarterly Period, the corresponding half-yearly period and quarterly period in 2006, are based on the following data:

	Six months ended 31 December		**Three months ended 31 December**	
	2007	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*
Earnings for the purpose of: basic and diluted earnings per share	**2,298**	1,554	**1,562**	1,040
	'000	*'000*	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**682,786**	682,786	**682,786**	682,786
Effect of dilutive potential ordinary share in respect of: – Share options	**14,411**	2,132	**12,954**	2,416
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**697,197**	684,918	**695,740**	685,202

6. Trade and other receivables

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

	31 December 2007 *US$'000*	30 June 2007 *US$'000*
Current	**69,381**	48,632
1 to 30 days	**20,285**	7,692
31 to 60 days	**5,569**	4,609
Over 60 days	**2,531**	4,758
Trade receivables	**97,766**	65,691
Deposits, prepayments and other receivables	**7,949**	7,749
	105,715	73,440

7. Trade and other payables

The following is an aged analysis of accounts payable:

	31 December 2007 *US$'000*	30 June 2007 *US$'000*
Current	**59,295**	32,037
1 to 30 days	**4,198**	3,267
31 to 60 days	**1,590**	167
Over 60 days	**1,665**	799
Trade payables	**66,748**	36,270
Deposits in advance, accruals and other payable	**10,371**	6,466
	77,119	42,736

INTERIM DIVIDEND

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

The Group has not declared any dividends for the corresponding half-yearly period and quarterly period in 2006.

CHAIRMAN'S STATEMENT

PINE is glad to report that it achieved remarkable result for the second quarter in fiscal year 2008. Our net profit after tax for the three months ended 31 December 2007 ("the Quarterly Period") increased by 50% to US$1,562,000 against US$1,040,000 of the last corresponding period. Revenue for the Quarterly Period was US$144,756,000, a leap of 26% when compared to US$114,929,000 in same period last year. Our own brand XFX and the distribution division both boasted strong growth momentum bringing in revenue amounting to US$94,731,000 and US$50,025,000 respectively, representing a respected year-to-year growth of 16% and 51%.

Throughout the Half-Yearly Period, the Group had performed outstandingly with net profit increasing in all by 48% to US$2,298,000 from US$1,554,000, whereas revenue was up by 30% to US$270,439,000 from US$207,357,000 in the first half of last year.

Gross profit margin was 8.4% for the Quarterly Period, an increase from 8.1% in the same period last year.

The impressive quarterly result demonstrated our ability and commitment to delivering sustainable and profitable growth for our businesses worldwide. The Group believes its key of success lies with powerful branding, the result of its hard work in nurturing and strengthening its own XFX brand in the past few years. "XFX" has developed from just one of many brands into a preferred brand among customers, who would actively look for our products in the shops.

BUSINESS REVIEW

During the Period, we introduced XFX GeForce 8800GT model and we named this special graphic card the "Alpha Dog" edition. Integrating 754 million transistors, the graphic card is the first XFX graphic card that supports the PCI Express 2.0 architecture in a single slot solution and promises unprecedented performance to multi-monitor video game enthusiasts. XFX GeForce 8800GT model has been well received by the market and recognized all over the world since it was launched in October 2007. It has received over 20 awards worldwide including Editor's Choice and Gamer's

Choice awards from Overclock 3D in the UK, Gold Award from PC Perspective in the USA, Editors Choice Award from TWEAKPC in Germany, Recommendation and Performance Awards from FrazPC.pl in Poland and Editor's Choice Awards from PC Market, PC3 & PC Weekly in Hong Kong. These accolades are proof of XFX's capability in delivering graphical realism like never before and PC graphic performance with true-to-life 3D characters and settings faster and better than previous generations. The solid result of which was delivered by our product development, a demonstration of our strong capability to win the market. We will continue to lead the market by applying our proven product development expertise to come up with new products with latest technology, features and functions of power the XFX brand stands for and irresistible appeal to the market.

As for the XFX brand, it was named the Best NVIDIA Brand of the Year in 2007 in Europe for the third consecutive year. It also made the cover story of PC Magazine renowned in North America and XFX GeForce 8800GT graphic card supporting DX10 obtained the rare five-star rating from the magazine. In Dubai, UAE, XFX was the "Best Graphic Card Winner" of Window Middle East Magazine for the fourth consecutive year. For the Group, XFX is a global recognized brand and the awards represent industry recognition of its efforts in building the brand since 2004 and the wide acceptance of the brand among its target markets and customers, and hard core video game player communities worldwide.

PINE launched its first XFX Challenge I Road Tour in September 2007 to give talented yet unknown game players the opportunity to have a taste of the experience of a professional game player. Underscored by the principle of "for gamers by gamers", the XFX Challenge I attracted more than 408 million online impressions, touching the talented gamers with hearts set on competing for worldwide championship. The XFX Challenge I Road Tour has bolstered XFX profile as a distinctive brand projecting the spirit of striving to be the Best of the Best.

Our distribution division also recorded very good result this quarter having seized market opportunities brought about by established distribution channels to serve major customers like Best Buy, Future Shop, Wal-mart & Staples.

BUSINESS OUTLOOK

Looking to 2008, we are ready for another phase of significant growth with Hong Kong joining the other developed areas in adopting high resolution digital broadcasting. New high-definition electronic products are introduced to the market every day to satisfy rising demand. According to forecast of the publication Global Industry Analysts, global demand for HD sets and monitors will exceed 50 million by the end of 2008 as high quality 3D picture resolution becomes essential and not just among professional gamers. Video game players at large are willing to spend more money on their home game system. With NVIDIA PureVideo technology, XFX's graphic cards are able to provide full HD (1920 x 1080) support meeting customers' requirements. Our products are poised to thrive riding on the surging HD tide.

The growing popularity of online games is another factor conducive to growth of the video graphic card market. The decision of French entertainment conglomerate Vivendi to merge its video-game division with a subsidiary of its American counterpart Activision in December 2007 was, for example, prompted by the booming console and online game markets. In fact, the gaming industry has started to report revenue surpassing those of movie box-office and music business in 2004. According to PricewaterhouseCoopers, the video game industry is expected to expand by over 9% annually in the next few years to worth up to US$48.9 billion by 2011. Such development and trend point to promising prospects for the video graphic card market and naturally also the Group's XFX division.

Although there is concern in the market about a general slowdown of the US economy, we continue to see strong consumption and increasing import demand in Asian and European markets, especially China which will be hosting the 2008 Olympics in Beijing. PINE is confident of gaining growth momentum in these markets in the coming quarter. In addition to growing its business, the Group will keep a close watch on areas including overhead, inventory, receivables and capital investment to ensure cost effectiveness for all its different operations and that PINE has a solid foundation to take its businesses forward in bigger strides.

In closing, I would like to thank the entire global PINE team for its hard work that contributed to the strong quarterly result, and its commitment and passion towards the long term success of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2007, the Group's borrowings comprised mainly short-term loans of approximately US$57,314,000 (30 June 2007: approximately US$64,807,000) and long-term loans of approximately US$481,000 (30 June 2007: US$862,000). The aggregate borrowings approximately US$57,795,000 (30 June 2007: approximately US$65,669,000) were secured by pledged bank deposits or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2007, total pledged bank deposits and all assets of certain subsidiaries as floating charges were amounted approximately US$4,783,000 and US$81,993,000 respectively (30 June 2007: approximately US$8,933,000 for pledged bank deposits, US$1,328,000 for pledged investments in securities and US$61,403,000 for all assets of certain subsidiaries as floating charges). The Group continued to maintain a healthy financial and cash position. As at 31 December 2007, the total cash on hand amounted approximately US$11,129,000 (30 June 2007: approximately US$18,880,000).

Capital structure

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

Significant investments and material acquisitions

During the Half-Yearly Period, the Group had disposed 15.6 million shares of QUASAR Communication Technology Holdings Limited ("QUASAR"), equivalent to approximately 2.7% of the total issued shares of QUASAR as at 31 December 2007. At 31 December 2007, the Group beneficially held approximately 3.2% of shareholding interests in QUASAR.

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

Staff

As at 31 December 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$8.4 million for the Half-Yearly Period as compared with that of approximately US$5.2 million for the corresponding half-yearly period in the 2006.

Gearing ratio

As at 31 December 2007, the gearing ratio of the Group based on total liabilities over total assets was approximately 68%. (30 June 2007: approximately 65%)

Exchange risk

During the period under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars and Canadian dollars. For settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that were principally denominated in US dollars, Canadian dollars and Pound Sterling. The unsecured risk will be foreign currency payables and loan exceeds its foreign currency revenue. During the year, the Group has used forward foreign currency contracts to minimize its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies. At 31 December 2007, the Group had forward foreign currency purchase contracts of US$8,000,000 (30 June 2007: US$15,000,000). Included in current liabilities is an amount of US$154,000 (30 June 2007: US$1,185,000) which represents the shortfall of the fair value of these forward contracts over their face value.

Contingent liabilities

THE GROUP

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 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.

Segment Information

Group brand products

For the Half-Yearly Period, the segment's revenue grew by 28% to US$183,174,000 from US$142,574,000 in same period last year, while its profit surged to US$3,937,000 compared to US$3,707,000 last year. With innovative products, an improved brand and services of quality and reliability recognised by the market, we were able to attract and retain prominent customers and speed up expansion into the massive upgrade market and maintain profitability. In the Half-Yearly Period, the XFX graphic division had phenomenal success in growing its global market share. The following is a breakdown of the sales of group brand products by geographical market compared with the same period in 2006.

	2007	2006	Growth
	US$'000	*US$'000*	%
North America	**61,370**	50,206	22.2
Europe	**74,345**	48,540	53.2
Asia & Others	**47,459**	43,828	8.3
	183,174	142,574	28.5

Other brand products

Turnover of the distribution division for the Half-Yearly Period had grown 35% to US$87,265,000 from US$64,783,000 in the last corresponding period. The segmental profit from other brand products also increased from US$768,000 in 2006 to US$1,152,000.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2007, the interests of the directors and the chief executive of the Company and their respective associates in the shares capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Chiu Hang Tai	Held by controlled corporation *(Note)*	131,000,000	19.19%
Chiu 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 ("Alliance Express"). Mr. Chiu Hang Tai beneficially owns the entire issued share capital of Alliance Express.

In addition to above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at 31 December 2007. The non-voting deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK$1,000 million, as specified in the articles of association of the subsidiary, to holders of ordinary shares.

Saved as disclosed above, and other than certain nominee shares in subsidiaries held by directors in trust for the Company's subsidiaries as at 31 December 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.

B) Share Options

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

As at 31 December 2007, the following directors of the Company were granted share options to subscribe for shares in the Company, details of share options granted under the Scheme are as follows:

Name of director	Date of grant	Exercisable period (both dates inclusive)	Exercise price per share *HK$*	Number of options granted
Chiu Hang Tai	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
	05.10.2007	05.10.2009 to 04.10.2012	0.460	3,000,000
				7,000,000
Chiu Samson Hang Chin	28.9.2004	1.11.2004 to 31.10.2009	0.149	4,000,000
	30.3.2007	1.1.2009 to 31.12.2011	0.248	2,700,000
	05.10.2007	05.10.2009 to 04.10.2012	0.460	2,000,000
				8,700,000

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 December 2007, the following persons (not being a director or a chief executive of the Company) were interested in 5% or more of in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Alliance Express	Beneficial owner *(Note 1)*	131,000,000	19.19%
Concept Express Investments Limited ("Concept Express")	Beneficial owner *(Note 2)*	122,760,000	17.98%
The estate of Mr. Chiu Kwong Chi	Held by controlled corporation *(Note 2)*	122,760,000	17.98%

Notes:

1. These shares are beneficially owned by and registered in the name of Alliance Express. Alliance Express 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. Concept Express 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.

Saved as disclosed above, the directors are not aware of any person who, as at 31 December 2007, had an interest or short position in the shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or was interested in 5% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the Half-Yearly Period, except for the deviations from Code Provision A.2.1 and A.4.2, details of which will be explained below:

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.

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.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period under review.

AUDIT COMMITTEE

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 throughout the accounting period covered by this report, they have complied with such code of conduct and the required standard of dealings.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 11 February 2008

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

The XFX Challenge 1 Road Tour Concludes with Team XFX Defeating the No. 1 Counter Strike Force Team in the World .

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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)

2008 Interim Report
2008 中期業績報告

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