



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 8013)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, 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 (“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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purposes only

CHAIRMAN'S STATEMENT

Dear Shareholders:

There's no better way for me to put this: 2009 was an unforgettable year.

Not only because it was a year that our business shrank significantly, it was also a year that we re-built a solid foundation for future success. Years from now, when we enjoy the success and look back, we will see that this was the pivotal moment; it is the decisions that we made in 2009 that changed the game.

But before I talk about the future, let me explain how this watershed moment came to pass. As many of you know, PINE has enjoyed successive annual sales growth of nearly 20% since we launched the XFX brand in 2003. We achieved this success by creating a strong XFX following in the PC gaming community. Around the world, PC gamers clamor for XFX products and attend XFX-sponsored events religiously. Suddenly, it is cool to own an XFX.

I'll leave it to the economists to argue about whether or not any of us could have predicted the economic freefall of 2008-2009. But no matter which side of the fence you are on, the outcome is the same. The world is changed overnight. Old sets of assumptions become irrelevant, new sets of assumptions are adopted, and we have a new economy. Companies that cannot adapt to the new rules are either phased out or severely weakened.

Specifically to PINE, from the middle of 2008, we began to see a drastic reduction in revenue from all regions, and the pace was fast and furious. I knew then that swift and comprehensive actions were needed to reverse the course.

After studying the whole picture carefully, I came to realize that I wasn't looking at a grave threat, I was actually staring at a golden opportunity. It was time to reset the company.

From the operational standpoint, we reviewed every position in great detail; its function and impact within the PINE organization. We sculpted the organization into what we think is the fittest and most effective corporate entity we've ever operated. This was the perfect timing to eliminate ineffective structure, streamline processes, and reduce excess human capital.

From the business standpoint, we knew that it was the right timing to add AMD/ATI into our product lineup, to compliment the Nvidia solution. We also knew that during this economic downturn, we must innovate more rapidly. I am pleased to report that XFX launched close to 100 new models in the past year.

The immediate result was that we were able to turn the situation around and close the year with a small profit. We know that is not a satisfactory result. But PINE is no longer in a reactionary mode. We are back to the driver seat. The real story is not "what now," it's "what next." And this is just the beginning of the PINE story.

I am happy to report that there are a lot of “next” to come. We are intently focused on expanding the XFX presence within the PC gaming industry. To accomplish this, we will continue to provide our most sought after graphics cards to every level of PC gamer, from the mainstreamer to the enthusiast to the serious gamer. The R&D team is ready to launch our first Power Supply Unit, a must-have accessory for every serious gamer. This PSU is packed with many industry “firsts”, which is exactly what our customers have come to expect from XFX.

“We are intently focused on expanding the XFX presence within the PC gaming industry.”

Finally, we continue to back our products with top-of-the-line customer services such as “Five Star Support” and “Black Edition”. Not only are they important to maintain our fierce customer loyalty, they have made us renowned within the industry.

2009 was indeed a pivotal year for PINE. It was a year that enabled us to clearly identify our strengths and set new goals. It was a year that taught us that it is not strength in numbers that defines success, but strength in conviction. And it was a year that enabled us to make a significant paradigm shift from “what now” to “what next”.

And wait until you see what’s next. It’s that good.

BUSINESS REVIEW

In the past year, due to the slow down of the global economy, our revenue was reduced by 38% compared to the previous year, and our net income was reduced to US\$1,112,000. Although the business activities have weakened, PINE is in a stronger position. We have a healthier balance sheet, we reduced our borrowings by US\$36,867,000 to US\$19,695,000, we have a net positive operating cash flow of US\$37,058,000, our total expenses were reduced by US\$11,048,000, from \$40,674,000 to \$29,626,000, and the gearing ratio, debt-to-equity ratio, current ratio have all improved significantly.

Also in the past year, we have launched close to 100 new products, including 7 NVIDIA GeForce series with our signature XT, XXX, and BLACK over-clocking editions, 7 ATI Radeon HD 4000 series VGA cards, and 3 series of Intel based XG 31i and NVIDIA 750i SLI MCP and GeForce motherboard. We also received over 30 major awards globally for our innovative design, best value, and top performance achievements. We are honored by the industry’s recognition and will continue to focus on our mission of developing the “best” graphic cards for the PC gaming community.

BUSINESS OUTLOOK

While we cannot worry too much about things that are not under our control, it is safe to say that it will take a while for the global economy to go back to its previous peak level. Fortunately, all indications point to a recovering path.

The exciting thing about the PC gamer market in general and the graphics cards in particular is that the growth will continue to be driven by innovation. Innovation includes the 40nm manufacturing technology, Hybrid Power feature, NVIDIA's® PhysX™ and CUDA™ technology. The release of Microsoft's Window 7 and DirectX 11 will also boost the demand of the graphics cards. The PC gamers are always looking for better, faster, and more powerful products. PINE is delivering them to our customers.

With a wide and powerful product spectrum, solid financial foundation, and a streamlined corporate structure, XFX is ready once again.

Lastly, on behalf of the Board of Directors, I would like to extend my gratitude and sincere appreciation to our business partners and shareholders for their support, to the PINE team for their passion and determination to turnaround the business. The best is yet to come.

Chiu Hang Tai

Chairman

Hong Kong, 18 September 2009

AUDITED CONSOLIDATED INCOME STATEMENT*FOR THE YEAR ENDED 30 JUNE 2009*

		2009	2008
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	2	313,487	505,511
Cost of sales		<u>(282,496)</u>	<u>(459,699)</u>
Gross profit		30,991	45,812
Other income		442	2,452
Selling and distribution expenses		(6,305)	(8,906)
General and administrative expenses		(21,801)	(26,213)
Other expense		-	(1,742)
Finance costs		<u>(1,520)</u>	<u>(3,813)</u>
Profit before taxation		1,807	7,590
Taxation	3	<u>(695)</u>	<u>(1,274)</u>
Profit for the year	4	<u>1,112</u>	<u>6,316</u>
Earnings per share			
Basic (US cents)	5	<u>0.12</u>	<u>0.88</u>
Diluted (US cents)		<u>0.12</u>	<u>0.86</u>

AUDITED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2009

	<i>Notes</i>	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		11,289	13,634
Development costs		1,325	852
Trademarks		112	111
Available-for-sale investments		225	400
Deferred taxation		199	262
		13,150	15,259
Current assets			
Inventories		48,181	73,770
Trade and other receivables	6	55,791	69,905
Tax recoverable		421	656
Pledged bank deposits		4,122	5,245
Bank balances and cash		14,104	15,530
		122,619	165,106
Current liabilities			
Trade and other payables	7	38,541	43,149
Bills payable		–	3,173
Tax payable		1,440	1,826
Obligations under finance leases		3	37
Bank borrowings		16,998	48,451
Other borrowings		2,697	7,790
		59,679	104,426
Net current assets		62,940	60,680
		76,090	75,939
Capital and reserves			
Share capital		11,971	11,971
Share premium and reserves	8	64,056	63,643
Total equity		76,027	75,614
Non-current liabilities			
Obligations under finance leases		10	4
Bank borrowings		–	321
Deferred taxation		53	–
		63	325
		76,090	75,939

Notes:

1. BASIS OF PRESENTATION

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of GEM Listing Rules and the Hong Kong Companies Ordinance. They have also been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and interpretations (herein collectively referred to as new HKFRSs) which are effective for current accounting periods. The adoption of the new HKFRSs has no material effect on how the results and the financial position of the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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.

The business segment information is presented below:

	Group brand		Other brand		Consolidated	
	products		products			
	2009	2008	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue						
External sales	<u>216,863</u>	<u>346,848</u>	<u>96,624</u>	<u>158,663</u>	<u>313,487</u>	<u>505,511</u>
Result						
Segment result	<u>4,406</u>	<u>9,090</u>	<u>298</u>	<u>2,722</u>	<u>4,704</u>	11,812
Unallocated other income					<u>63</u>	1,176
Unallocated corporate expense					<u>(1,440)</u>	(1,585)
Finance costs					<u>(1,520)</u>	<u>(3,813)</u>
Profit before taxation					<u>1,807</u>	7,590
Taxation					<u>(695)</u>	<u>(1,274)</u>
Profit for the year					<u>1,112</u>	<u>6,316</u>
Assets						
Segment assets	<u>94,848</u>	<u>130,320</u>	<u>21,850</u>	<u>27,952</u>	<u>116,698</u>	158,272
Unallocated corporate assets					<u>19,071</u>	<u>22,093</u>
Consolidated total assets					<u>135,769</u>	<u>180,365</u>
Liabilities						
Segment liabilities	<u>30,576</u>	<u>31,790</u>	<u>7,965</u>	<u>14,532</u>	<u>38,541</u>	46,322
Unallocated corporate liabilities					<u>21,201</u>	<u>58,429</u>
Consolidated total liabilities					<u>59,742</u>	<u>104,751</u>
Other information						
Capital expenditure	<u>2,467</u>	6,621	<u>257</u>	376	<u>2,724</u>	6,997
Depreciation and amortisation	<u>4,334</u>	3,021	<u>142</u>	118	<u>4,476</u>	3,139
Allowance for doubtful debts	<u>1,818</u>	1,007	<u>439</u>	299	<u>2,257</u>	1,306
Allowance for inventories	<u>987</u>	<u>5,197</u>	<u>505</u>	<u>838</u>	<u>1,492</u>	<u>6,035</u>

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	
	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
North America	171,512	277,189
Europe	72,719	139,307
Asia		
– People's Republic of China (the "PRC")	5,584	7,281
– Hong Kong	25,955	35,138
– Others*	34,301	41,900
Others	3,416	4,696
	<u>313,487</u>	<u>505,511</u>

* Include other countries in Asia with turnover less than 10% of total turnover individually.

The following is an analysis of the carrying amount of segment assets and the capital expenditure, analysed by the geographical area in which assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2009	2008	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
North America	44,166	48,637	421	1,014
Europe	8,668	19,139	332	475
Asia				
– PRC	37,265	45,912	808	4,781
– Hong Kong	22,751	40,034	1,153	304
– Others	3,848	4,155	10	423
Others	–	395	–	–
	<u>116,698</u>	<u>158,272</u>	<u>2,724</u>	<u>6,997</u>

3. TAXATION

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
The charge (credit) comprises:		
Profit for the year		
– Hong Kong	47	122
– other region in the PRC	365	572
– other jurisdictions	173	554
(Over) underprovision in prior year		
– Hong Kong	(7)	(9)
– other region in the PRC	–	53
– other jurisdictions	22	(578)
	600	714
Deferred taxation	95	560
Taxable attributable to the Company and its subsidiaries	695	1,274

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

Income tax in United States of America is calculated at 40% (2008: 40%) of the estimated assessable profit for the year.

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

4. PROFIT FOR THE YEAR

	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	3,343	2,507
Amortisation charges:		
Development costs (included in cost of sales)	1,124	623
Trademarks (included in general and administrative expenses)	9	9
Loss on disposal of property, plant and equipment	<u>28</u>	<u>28</u>
and after crediting:		
Gain on disposal of available-for-sale investments	<u>-</u>	<u>987</u>

5. EARNINGS PER SHARE

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

	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	<u>1,112</u>	<u>6,316</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	930,935	721,429
Effect of dilutive potential ordinary shares:		
Share options	<u>-</u>	<u>11,339</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>930,935</u>	<u>732,768</u>

No diluted earnings per share has been presented for 2009 because the exercise price of the Company's options was higher than the average market price for shares for 2009.

6. 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 based on the payment due date of trade receivables at the balance sheet date:

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Current	25,137	51,101
1 to 30 days	11,230	10,631
31 to 60 days	5,313	601
61 to 90 days	5,136	202
Over 90 days	5,539	4,471
	<hr/>	<hr/>
Trade receivables	52,355	67,006
Deposits, prepayments and other receivables	3,436	2,899
	<hr/>	<hr/>
	55,791	69,905
	<hr/> <hr/>	<hr/> <hr/>

7. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Current	21,663	25,682
1 to 30 days	7,420	6,141
31 to 60 days	2,224	2,904
61 to 90 days	558	595
Over 90 days	1,559	162
	<hr/>	<hr/>
Trade payables	33,424	35,484
Deposits in advance, accruals and other payables	5,117	7,665
	<hr/>	<hr/>
	38,541	43,149
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8. SHARE PREMIUM AND RESERVES

	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	Retained profits US\$'000	Total US\$'000
At 1 July 2007	<u>8,790</u>	<u>22,215</u>	<u>2,954</u>	<u>1,621</u>	<u>63</u>	<u>1,898</u>	<u>55</u>	<u>23,808</u>	<u>61,404</u>
Exchange differences arising on translation of foreign operations	-	-	-	1,180	-	-	-	-	1,180
Deficit on revaluation on available-for-sale investments	-	-	-	-	-	(662)	-	-	(662)
Net income and expense recognised directly in equity	-	-	-	1,180	-	(662)	-	-	518
Transfer to profit or loss on sale of available-for-sale investments	-	-	-	-	-	(988)	-	-	(988)
Profit for the year	-	-	-	-	-	-	-	6,316	6,316
Total recognised income and expense for the year	-	-	-	1,180	-	(1,650)	-	6,316	5,846
Recognition of equity-settled share-based payments	-	-	-	-	-	-	188	-	188
Expenses incurred in connection with issue of shares	-	(95)	-	-	-	-	-	-	(95)
Issue of new shares	3,181	5,090	-	-	-	-	-	-	8,271
At 30 June 2008	<u>11,971</u>	<u>27,210</u>	<u>2,954</u>	<u>2,801</u>	<u>63</u>	<u>248</u>	<u>243</u>	<u>30,124</u>	<u>75,614</u>
Exchange differences arising on translation of foreign operations	-	-	-	(659)	-	-	-	-	(659)
Deficit on revaluation on available-for-sale investments	-	-	-	-	-	(175)	-	-	(175)
Net income and expense recognised directly in equity	-	-	-	(659)	-	(175)	-	-	(834)
Profit for the year	-	-	-	-	-	-	-	1,112	1,112
Total recognised income and expense for the year	-	-	-	(659)	-	(175)	-	1,112	278
Recognition of equity-settled share-based payments	-	-	-	-	-	-	135	-	135
At 30 June 2009	<u>11,971</u>	<u>27,210</u>	<u>2,954</u>	<u>2,142</u>	<u>63</u>	<u>73</u>	<u>378</u>	<u>31,236</u>	<u>76,027</u>

DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 30 June 2009 (2008: Nil).

CODE ON 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 has applied the principles 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") and complied with all the code provisions set out in the CG Code ("Code Provisions") throughout the year under review except the deviations from Code Provisions 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. In order to put in place good corporate governance practice, Mr. Chiu Samson Hang Chin, Deputy Chairman of the Board shall offer himself to retire along with Mr. Li Chi Chung and both of them, being eligible, shall offer themselves for re-election.

AUDIT COMMITTEE

The Audit Committee had reviewed the annual results and provided advice and comments thereon.

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.

By order of the Board
Chiu Hang Tai
Chairman

Hong Kong, 18 September 2009

As at the date of this announcement, 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. Chung Wai Ming.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.pinegroup.com.