PINE Technology Holdings Limited
Stock Code 1079

PINE

Two Thousand and Eleven Interim Report

INTERIM RESULTS

The board of the directors (the "Directors") of PINE Technology Holdings Limited (the "Company"), is pleased to present the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2010.

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

		Unaudited Six months ended 31 December	
		2010	2009
	Notes	***US$'000***	*US$'000*
Turnover	2	**150,219**	182,112
Cost of sales		**(134,995)**	(164,458)
Gross profit		**15,224**	17,654
Other income		**11**	44
Selling and distribution expenses		**(4,235)**	(3,941)
General and administrative expenses		**(10,572)**	(10,826)
Other gains and losses		**1,058**	(261)
Finance costs		**(524)**	(315)
Profit before taxation	3	**962**	2,355
Taxation	4	**(131)**	(513)
Profit for the period		**831**	1,842
Other comprehensive income (expense):			
Exchange differences arising on translation of foreign operations		**636**	549
Fair value loss on available-for-sale investments		**(179)**	–
		457	549
Total comprehensive income for the period		**1,288**	2,391
Earnings per share (US cents)	5		
– Basic		**0.090**	0.198
– Diluted		**0.090**	0.198

Condensed Consolidated Statement of Financial Position

At 31 December 2010

	Notes	**(Unaudited) 31 December 2010 US$'000**	(Audited/ Restated) 30 June 2010 US$'000
Non-current assets			
Property, plant and equipment		**7,966**	9,015
Development costs		**911**	1,050
Trademarks		**108**	110
Available-for-sale investments		**161**	342
Deferred taxation		**258**	251
		9,404	10,768
Current assets			
Inventories		**76,657**	73,644
Trade, bills and other receivables	6	**60,924**	53,852
Tax recoverable		**292**	56
Pledged bank deposits		**4,129**	4,125
Bank balances and cash		**10,243**	10,919
		152,245	142,596

	Notes	(Unaudited) 31 December 2010 *US$'000*	(Audited/ Restated) 30 June 2010 *US$'000*
Current liabilities			
Trade and other payables	7	**41,430**	32,856
Bills payable		**286**	–
Tax payable		**1,416**	1,602
Obligations under finance leases		**2**	3
Bank borrowings		**37,616**	37,983
		80,750	72,444
Net current assets		**71,495**	70,152
		80,899	80,920
Capital and reserves			
Share capital		**11,844**	11,934
Share premium and reserves		**68,917**	68,849
Total equity		**80,761**	80,783
Non-current liabilities			
Obligations under finance leases		**9**	7
Deferred Taxation		**129**	130
		138	137
		80,899	80,920

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	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 2009 (audited)	11,971	27,210	2,954	2,142	63	73	378	31,236	76,027
Other comprehensive income for the period	–	–	–	549	–	–	–	–	549
Profit for the period	–	–	–	–	–	–	–	1,842	1,842
Total comprehensive income for the period	–	–	–	549	–	–	–	1,842	2,391
Recognition of share-based payment	–	–	–	–	–	–	62	–	62
At 31 December 2009 (unaudited)	11,971	27,210	2,954	2,691	63	73	440	33,078	78,480
At 1 July 2010 (audited)	11,934	27,159	2,954	2,785	63	119	478	35,291	80,783
Other comprehensive income for the period	–	–	–	636	–	(179)	–	–	457
Profit for the period	–	–	–	–	–	–	–	831	831
Total comprehensive income for the period	–	–	–	636	–	(179)	–	831	1,288
Share options exercised	25	55	–	–	–	–	(30)	–	50
Share repurchased and cancelled	(115)	(152)	–	–	–	–	–	–	(267)
Dividend paid	–	–	–	–	–	–	–	(1,181)	(1,181)
Recognition of share-based payment	–	–	–	–	–	–	87	–	87
At 31 December 2010 (unaudited)	11,844	27,062	2,954	3,421	63	(60)	535	34,941	80,760

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	Unaudited Six months ended 31 December	
	2010	2009
	US$'000	*US$'000*
Net cash from (used in) operating activities	**1,801**	(11,559)
Net cash used in investing activities	**(715)**	(1,482)
Net cash (used in) from financing activities	**(1,815)**	10,881
Decrease in cash and cash equivalents	**(729)**	(2,160)
Cash and cash equivalents at 1 July	**10,919**	14,104
Effect of foreign exchange rate changes	**53**	(90)
Cash and cash equivalents at 31 December	**10,243**	11,854

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of presentation

The unaudited condensed consolidated interim 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 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 interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendments to HKAS 27 and HKFRS 3 as part of Improvements to HKFRSs 2010
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new HKFRSs has had no material effect on condensed consolidated financial statements of the Group for the current and prior accounting periods.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ('HK – Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current period. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of US$2,000,000 has been reclassified from non-current liabilities to current liabilities as at 30 June 2010. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$1,692,000 have been classified as current liabilities. The application of HK – Int 5 has had no impact on the reported profit or loss for the current and prior periods.

The Group has not early applied the new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised Standards, Amendments and Interpretations will have no material impact on the condensed consolidated financial statements.

2. Segment information

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 components ("Other brand products").

An analysis of the Group's unaudited revenue and results for the period ended December 31, 2010 and its comparatives are as follows:

	Group brand products		**Other brand products**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue						
External sales	**91,677**	121,051	**58,542**	61,061	**150,219**	182,112
Result						
Segment result	**1,834**	2,823	**401**	529	**2,235**	3,352
Unallocated other revenue					**5**	6
Unallocated corporate expenses					**(755)**	(688)
Finance costs					**(524)**	(315)
Profit before taxation					**962**	2,355

3. Profit before taxation

	Six months ended 31 December	
	2010	2009
	US$'000	*US$'000*
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation	**2,201**	2,316
Loss on disposal of property, plant and equipment	**7**	87

4. Taxation

	Six months ended 31 December	
	2010	2009
	US$'000	*US$'000*
The charge comprises:		
–Hong Kong Profits Tax	**3**	108
–Taxation arising in other jurisdictions	**128**	405
	131	513

Hong Kong Profits Tax is calculated at 16.5% (2009 16.5%) of the estimated assessable profit for the six months period ended 31 December 2010.

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

5. Earnings per share

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

	Six months ended 31 December	
	2010	2009
	US$'000	*US$'000*
Earnings for the purpose of: basic and diluted earnings per share	**831**	1,842
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**921,021**	930,935
Effect of dilutive potential ordinary share in respect of: – Share options	**2,270**	175
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**923,291**	931,110

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 of trade receivables, net of allowance for doubtful debt, presented based on the invoice date at the end of the reporting period:

	31 December 2010	30 June 2010
	US$'000	*US$'000*
1 to 30 days	**24,827**	23,292
31 to 60 days	**9,566**	9,238
61 to 90 days	**3,883**	4,211
Over 90 days	**15,613**	12,738
Trade receivables	**53,889**	49,479
Deposits, prepayments and other receivables	**7,035**	4,373
	60,924	53,852

7. Trade and other payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31 December 2010 *US$'000*	30 June 2010 *US$'000*
1 to 30 days	**23,693**	14,286
31 to 60 days	**7,753**	5,929
61 to 90 days	**1,949**	4,337
Over 90 days	**1,852**	2,556
Trade payables	**35,247**	27,108
Deposits in advance, accruals and other payables	**6,183**	5,748
	41,430	32,856

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2010 (2009: Nil).

BUSINESS REVIEW

Business for the first half of fiscal year 2011 has been down compared to same period last year. Total revenue was US$150,219,000, which represents a 18% drop. The gross profit was US$15,224,000, which represents a 14% drop. The gross profit margin was increased by 0.44% to 10.13%. And the net profit was US$831,000 versus last year's US$1,842,000. As of 31 December 2010, cash on hand was US$10,243,000.

Overall, the worldwide demand continues to be slow as the general economic situation remains uncertain. Due to this, the pace in PC component upgrades has been soft, especially in the gaming sector.

BUSINESS OUTLOOK

We have launched 4 top-of the-line XFX AMD 6800 and 6900 series graphics cards since the end of last year. These cards provide gamers with an enhanced second-generation, Microsoft DirectX® 11-capable architecture for breakthrough performance, advanced image quality features for the best looking games, and innovative AMD PowerTune power management technology that dynamically adjusts power draw on the fly. They also employ AMD's Eyefinity multi-display technology and HD3D technology for 3D entertainment.

We expect that they will contribute significantly for the second half of our fiscal year.

We have also kick started a multitude of initiatives. We have created a new division, AviiQ. Its mission is to design and develop the finest mobile lifestyle accessories in function and style. Its first creation is the world's thinnest laptop stand and has received rave reviews in the laptop accessories community. AviiQ's vision is to add productivity and pleasure to the mobile computing lifestyle.

Our Distribution Division has embarked a new initiative called Reverse Logistics to complement their existing supply chain services. This allows them to provide a comprehensive service and support to its customers and vendors alike. And we expect incremental revenue and profits to be generated through this new initiative.

With these multitudes of new initiatives, PINE aims to continue to reinvent and to be a progressive and balanced company.

We are harboring a cautious outlook for the rest of this year and are taking a long term approach in building and strengthening our businesses. We will continue to leverage on our strength in product development and business development, to nurture the new initiatives to take shape, while focus on the management basics to ensure we are moving into 2011 in a steady and firm pace.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2010, the Group's borrowings comprised short-term loans of approximately US$37,616,000 (30 June 2010: approximately US$37,983,000). The aggregate borrowings approximately US$35,309,000 (30 June 2010: approximately US$35,368,000) were secured by pledged bank deposits or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2010, total pledged bank deposits and all assets of certain subsidiaries as floating charges were amounted approximately US$4,129,000 and US$51,612,000 respectively (30 June 2010: approximately US$4,125,000 and US$35,770,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2010, the total cash on hand amounted approximately US$10,243,000 (30 June 2010: approximately US$10,919,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2010, as compared with that as at 30 June 2010.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months period ended 31 December 2010.

Staff

As at 31 December 2010, the Group had 345 employees, a 5% decrease from 362 employees since June 2010, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was approximately US$6.4 million for the six months period ended 31 December 2010 as compared with that of approximately US$6.6 million for the corresponding period in the 2009.

Gearing ratio

As at 31 December 2010, the gearing ratio of the Group based on total liabilities over total assets was approximately 50%. (30 June 2010: approximately 47%)

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.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2010. (30 June 2010: Nil)

Segment Information

Group brand products

For the half year period, the segment's revenue dropped by 24% to US$91,677,000 from US$121,051,000 in same period last year, while its profit decreased to US$1,834,000 compared to US$2,823,000. XFX has launched 4 top-of the-line 6800 and 6900 series graphics cards incorporating the second-generation Microsoft DirectX® 11-capable architecture end of last year. We expect that they will contribute significantly for the second half of our fiscal year.

Other brand products

The revenue of the half year period had decreased 4% to US$58,542,000 from US$61,061,000 in same period last year while its profit decreased to US$401,000 from US$529,000. Our Distribution Division has embarked a new initiative called Reverse Logistics which provides a comprehensive service and support to its customers and vendors alike. And we expect incremental revenue and profits to be generated through this new initiative.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2010, the interests and short positions of the directors and the chief executive of the Company in the shares capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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
Chiu Hang Tai	Controlled corporation/ beneficial owner *(Note 1)*	211,175,958	22.93%
Chiu Samson Hang Chin *(Note 2)*	Beneficial owner	169,663,056	18.42%
Chiu Herbert H T *(Note 2)*	Beneficial owner	60,824,958	6.60%

Notes:

1) Of the 211,175,958 ordinary shares, 14,675,958 shares are registered in the personal name of Mr. Chiu Hang Tai, and the remaining 196,500,000 shares are beneficially owned by and registered in the name of Alliance Express Group Limited, which is incorporated in the British Virgin Islands ("BVI") and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai, an executive director of the Company.

2) Mr. Chiu Samson Hang Chin and Mr. Chiu Herbert H T are the brothers of Mr. Chiu Hang Tai.

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 2010. 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 2010, 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 2010, 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 as at 31 December 2010
Chiu Hang Tai	5.10.2007	5.10.2009 to 4.10.2012	0.464	2,976,600
	30.3.2010	30.03.2011 to 29.3.2014	0.275	5,970,000
				8,946,600
Chiu Samson Hang Chin	30.3.2007	1.1.2009 to 31.12.2011	0.250	2,678,940
	5.10.2007	5.10.2009 to 4.10.2012	0.464	1,984,400
	30.3.2010	30.03.2011 to 29.3.2014	0.275	5,470,000
				10,133,340

SUBSTANTIAL SHAREHOLDERS

So far as the directors and chief executive of the Company are aware of, as at 31 December 2010, 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 (long positions)**	**Percentage of the issued share capital of the Company**
Alliance Express Group Limited	Beneficial owner *(Note 1)*	196,500,000	21.34%
Chiu Hang Tung Jason *(Note 2)*	Beneficial owner	62,718,084	6.81%
Chiu Man Wah *(Note 2)*	Beneficial owner	62,718,084	6.81%

Notes:

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

2) The holders are siblings of Mr. Chiu Hang Tai, Mr. Chiu Samson Hang Chin, and Mr. Chiu Herbert H T who are directors of the Company.

Saved as disclosed above, the directors are not aware of any person who, as at 31 December 2010, 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 14 of the Listing Rules throughout the 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.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference. The audit committee comprised the three Independent Non-executive Directors, namely Messrs. Li Chi Chung, So Stephen Hon Cheung and Dr. Huang Zhijian. 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 Model Code as set out in Appendix 10 to the Listing Rules of the Stock Exchange. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 31 December 2010, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*US$'000*
July 2010	4,276,000	0.230	0.218	123
August 2010	4,724,000	0.245	0.228	144

The above shares were cancelled upon repurchase.

Saved as disclosed above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company listed securities during the period.

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

Hong Kong, 16 February 2011

As at the date of this report, executive directors are Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin. Non-executive director is Mr. Chiu Herbert H T. Independent non-executive directors are Mr. Li Chi Chung, Mr. So Stephen Hon Cheung and Dr. Huang Zhijian.

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)
Stock Code 股份代號 1079
2011 Interim Report
2011中期業績報告
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