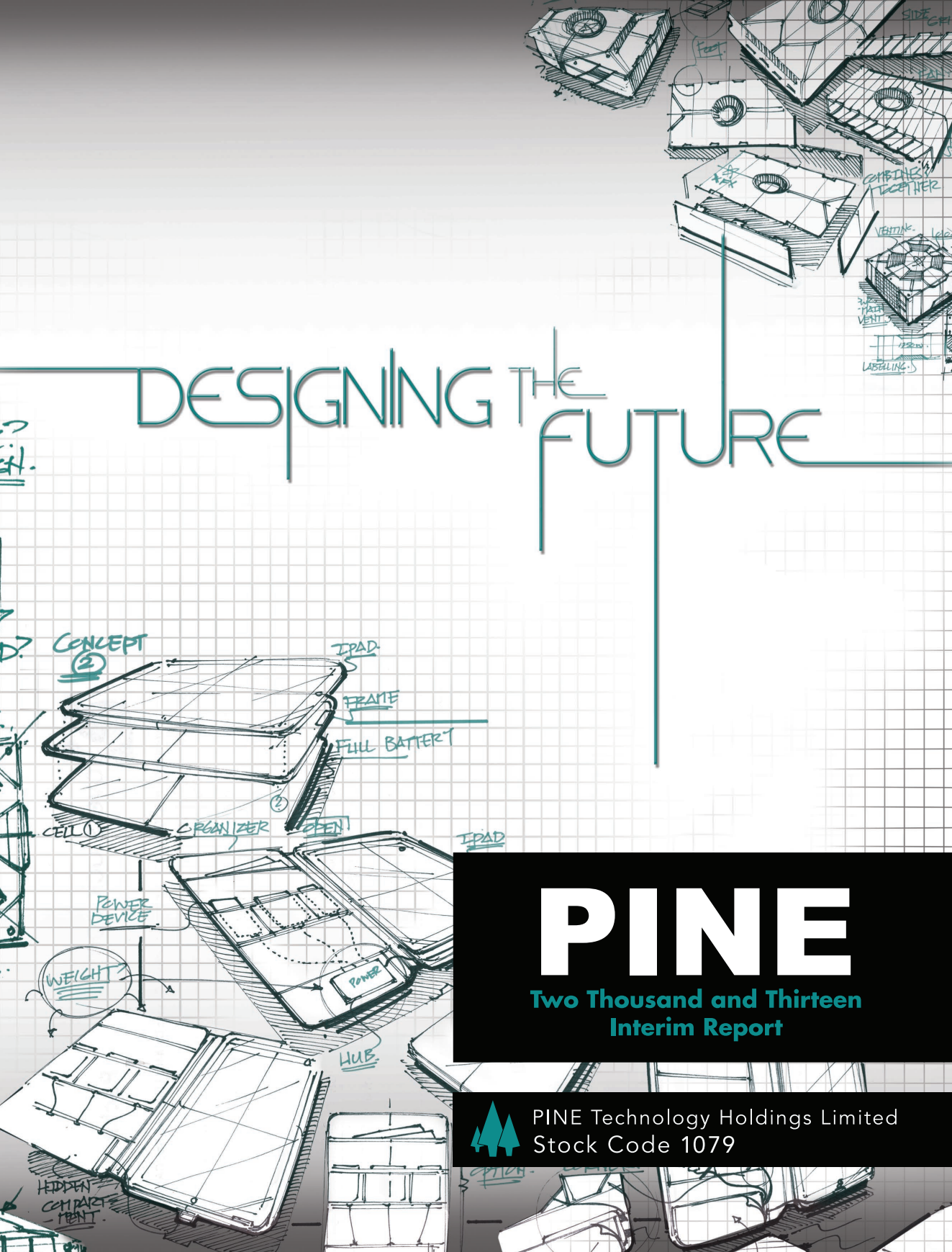


DESIGNING THE FUTURE



PINE

Two Thousand and Thirteen
Interim Report



PINE Technology Holdings Limited
Stock Code 1079

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 2012.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2012

		Six months ended	
		31 December	
		2012	2011
	Notes	Unaudited	Unaudited
		US\$'000	US\$'000
Turnover	2	100,833	114,966
Cost of sales		(90,212)	(103,408)
Gross profit		10,621	11,558
Other income		67	342
Selling and distribution expenses		(3,549)	(3,174)
General and administrative expenses		(7,095)	(10,553)
Other gains and losses		628	579
Finance costs		(508)	(381)
Profit (loss) before tax	3	164	(1,629)
Income tax expense	4	(39)	(231)
Profit (loss) for the period		125	(1,860)
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(55)	312
Fair value loss on available-for-sale investments		–	14
Other comprehensive (expense) income for the period		(55)	326
Total comprehensive income (expense) for the period		70	(1,534)
Earnings (loss) per share	5		
– Basic (US cents)		0.014	(0.202)
– Diluted (US cents)		0.014	(0.202)

Condensed Consolidated Statement of Financial Position

At 31 December 2012

	Notes	31 December 2012 Unaudited US\$'000	30 June 2012 Audited US\$'000
Non-current assets			
Property, plant and equipment		7,383	7,795
Development costs		1,269	1,920
Trademarks		279	280
Available-for-sale investments		69	70
Deposit placed with an insurance company		393	384
Rental deposit		64	66
		<u>9,457</u>	<u>10,515</u>
Current assets			
Inventories		46,676	56,890
Trade and other receivables	6	47,651	45,977
Tax recoverable		8	212
Pledged bank deposits		2,097	2,046
Bank balances and cash		10,266	12,636
		<u>106,698</u>	<u>117,761</u>
Current liabilities			
Trade and other payables	7	16,624	25,628
Tax payable		1,371	1,329
Obligations under finance leases		8	3
Bank borrowings		24,115	27,402
		<u>42,118</u>	<u>54,362</u>
Net current assets		<u>64,580</u>	<u>63,399</u>
		<u>74,037</u>	<u>73,914</u>
Capital and reserves			
Share capital		11,844	11,844
Share premium and reserves		59,724	59,650
Total equity		<u>71,568</u>	<u>71,494</u>
Non-current liabilities			
Obligations under finance leases		96	1
Bank borrowings		2,243	2,289
Deferred taxation		130	130
		<u>2,469</u>	<u>2,420</u>
		<u>74,037</u>	<u>73,914</u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 31 December 2012*

	Share capital US\$'000	Share premium 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 2011 (audited)	11,844	27,063	2,954	3,251	63	(121)	555	28,955	74,564
Other comprehensive income for the period	-	-	-	312	-	14	-	-	326
Loss for the period	-	-	-	-	-	-	-	(1,860)	(1,860)
Total comprehensive income (expense) for the period	-	-	-	312	-	14	-	(1,860)	(1,534)
Recognition of share-based payment	-	-	-	-	-	-	4	-	4
At 31 December 2011 (unaudited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>3,563</u>	<u>63</u>	<u>(107)</u>	<u>559</u>	<u>27,095</u>	<u>73,034</u>
At 1 July 2012 (audited)	11,844	27,063	2,954	3,644	63	(153)	391	25,688	71,494
Other comprehensive expense for the period	-	-	-	(55)	-	-	-	-	(55)
Profit for the period	-	-	-	-	-	-	-	125	125
Total comprehensive (expense) income for the period	-	-	-	(55)	-	-	-	125	70
Recognition of share-based payment	-	-	-	-	-	-	4	-	4
At 31 December 2012 (unaudited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>3,589</u>	<u>63</u>	<u>(153)</u>	<u>395</u>	<u>25,813</u>	<u>71,568</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012

	Six months ended	
	31 December	
	2012	2011
	Unaudited	Unaudited
	US\$'000	US\$'000
Net cash from operating activities	2,095	3,922
Net cash used in investing activities	(667)	(2,236)
Net cash used in financing activities	(3,832)	(921)
Net (decrease) increase in cash and cash equivalents	(2,404)	765
Cash and cash equivalents at 1 July	12,636	10,310
Effect of foreign exchange rate changes	34	48
Cash and cash equivalents at 31 December	10,266	11,123

NOTES TO CONDENSED INTERIM ACCOUNTS

I. 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 2012, 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.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology of statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Other than the amendment to HKAS 1, the application of the above amendments to HKFRSs in the current interim period had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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 31 December 2012 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2012	2011	2012	2011	2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue						
External sales	59,100	66,831	41,733	48,135	100,833	114,966
Result						
Segment result	713	(1,031)	460	385	1,173	(646)
Unallocated other revenue					15	9
Unallocated corporate expenses					(516)	(611)
Finance costs					(508)	(381)
Profit (loss) before tax					164	(1,629)

3. Profit (loss) before tax

	Six months ended	
	31 December	
	2012	2011
	Unaudited	Unaudited
	US\$'000	US\$'000
Profit (loss) before tax has been arrived at after charging:		
Depreciation and amortisation	1,797	2,031
Loss on disposal of property, plant and equipment	<u>–</u>	<u>200</u>

4. Income tax expense

	Six months ended	
	31 December	
	2012	2011
	Unaudited	Unaudited
	US\$'000	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	3	3
– Taxation arising in other jurisdictions	<u>36</u>	<u>228</u>
	<u>39</u>	<u>231</u>

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the six months period ended 31 December 2012.

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

5. Earnings (loss) per share

The share options have no dilutive effect on ordinary shares for the six months ended 31 December 2012 because the exercise price of the Company's share options was higher than the average market price of shares for the period.

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

	Six months ended	
	31 December	
	2012	2011
	Unaudited	Unaudited
	US\$'000	US\$'000
Earnings (loss) for the purpose of:		
basic and diluted earnings per share	<u>125</u>	<u>(1,860)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	920,984	921,021
Effect of dilutive potential ordinary share in respect of:		
– Share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>920,984</u>	<u>920,984</u>

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 2012 Unaudited US\$'000	30 June 2012 Audited US\$'000
1 to 30 days	14,825	20,757
31 to 60 days	8,677	5,455
61 to 90 days	4,240	2,891
Over 90 days	16,349	13,497
	<hr/>	<hr/>
Trade receivables	44,091	42,600
Deposits, prepayments and other receivables	3,560	3,377
	<hr/>	<hr/>
	47,651	45,977
	<hr/> <hr/>	<hr/> <hr/>

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 2012 Unaudited US\$'000	30 June 2012 Audited US\$'000
1 to 30 days	5,560	8,268
31 to 60 days	3,116	6,065
61 to 90 days	2,011	2,295
Over 90 days	326	2,846
	<hr/>	<hr/>
Trade payables	11,013	19,474
Deposits in advance, accruals and other payables	5,611	6,154
	<hr/>	<hr/>
	16,624	25,628
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

Business in the first six months was expectedly slow due to the anticipated launch of Microsoft Windows 8. The PC industry was basically in a “wait-and-see” mode; every level of the PC business was soft.

The revenue of the Group in first half year was US\$100,833,000, a 12% decrease from the same period last year. Gross profit was US\$10,621,000, a 8% drop. Gross margin was 10.5%, which is slightly better than last year's.

Cost and Inventory control were our two main themes during this period. Through the restructuring of the European and Asian operation, and a conscious cost-cutting effort in other regions, our total operating expense was reduced from US\$13,727,000 to US\$10,644,000. At the end of December, the inventory level was lowered to US\$46,676,000 compared to US\$56,890,000 six months ago.

As of 31 December 2012, we made a profit of US\$125,000. Cash on hand was approximately US\$10,266,000.

BUSINESS OUTLOOK

We are optimistic for the next six months' business as we observe that the demand has picked up after the launch of Windows 8 for both the Graphics card business and the Distribution business. Therefore, we expect a stronger second half year.

Also, our Aviiq brand of digital mobile accessory product continues to gain traction. It is establishing a solid market position and premium brand image. As there are many new products in the pipeline for the Apple and Samsung Smart Phone and Tablet markets, we expect this to be one of our profit drivers.

With our much lower level of overhead plus the expected stronger revenue in the second half, we are optimistic with our profitability in the second half of the fiscal 2013.

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, and to the PINE team for their passion and determination to turnaround the business during this challenging time.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2012, the Group's borrowings comprised short-term loans of US\$24,115,000 (30 June 2012: US\$27,402,000) and long-term loans of US\$2,243,000 (30 June 2012: US\$2,289,000). The aggregate borrowings US\$26,358,000 (30 June 2012: US\$29,691,000) were secured by pledged bank deposits and deposit placed with an insurance company or by all assets of certain subsidiaries as floating or fixed charges to banks.

As at 31 December 2012, total pledged bank deposits, deposit placed with an insurance company and all assets of certain subsidiaries as floating or fixed charges were amounted US\$2,097,000, US\$393,000 and US\$36,790,000 respectively (30 June 2012: US\$2,046,000, US\$384,000 and US\$41,528,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2012, the total cash on hand amounted US\$10,266,000 (30 June 2012: approximately US\$12,636,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2012, as compared with that as at 30 June 2012.

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 2012.

Staff

As at 31 December 2012, the Group had 243 employees, a 20% decrease from 304 employees since June 2012, 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\$4.4 million for the six months period ended 31 December 2012 as compared with that of approximately US\$6.0 million for the corresponding period in the 2011.

Gearing ratio

As at 31 December 2012, the gearing ratio of the Group based on total liabilities over total assets was approximately 38% (30 June 2012: approximately 44%).

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 and Canadian dollars. 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 2012 (30 June 2012: Nil).

Segment information

Group brand products

For the six months period ended 31 December 2012, the segment's revenue dropped by 12% to US\$59,100,000 from US\$66,831,000 in corresponding period last year, while its profit increased to US\$713,000 compared to its loss US\$1,031,000 in corresponding period last year. Going forward, we will accelerate the development of the Aviiq product line to continue to improve profitability.

Other brand products

Similarly, in the same period, this segment's revenue dropped by 13% to US\$41,733,000 from US\$48,135,000 last year. The profit increased from US\$385,000 to US\$460,000. We will continue to broaden the non-PC product offerings to fulfill the online and Mass Merchant business opportunities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE

As at 31 December 2012 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:

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 2012. 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 2012, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST IN SHARES

So far as the directors and chief executive of the Company are aware of, as at 31 December 2012, 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 2012, 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.

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.

Details of the share options granted under the Scheme during the six months ended 31 December 2012 to subscribe for the shares in the Company are as follows:

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options at 1 July 2012					Number of
						Granted	Exercised	Expired	Forfeited	share options at 31 December 2012
Directors										
Chiu Hang Tai	5.10.2007	5.10.2007 – 4.10.2009	5.10.2009 – 4.10.2012	0.464	2,976,600	-	-	(2,976,600)	-	-
	30.3.2010	30.3.2010 – 29.3.2011	30.3.2011 – 29.3.2014	0.275	5,970,000	-	-	-	-	5,970,000
Chiu Samson Hang Chin	5.10.2007	5.10.2007 – 4.10.2009	5.10.2009 – 4.10.2012	0.464	1,984,400	-	-	(1,984,400)	-	-
	30.3.2010	30.3.2010 – 29.3.2011	30.3.2011 – 29.3.2014	0.275	5,470,000	-	-	-	-	5,470,000
Employees										
	5.10.2007	5.10.2007 – 4.10.2009	5.10.2009 – 4.10.2012	0.464	9,922,000	-	-	(9,922,000)	-	-
	6.10.2009	N/A	6.10.2009 – 5.10.2013	0.150	4,000,000	-	-	-	-	4,000,000
	30.3.2010	30.3.2010 – 29.3.2011	30.3.2011 – 29.3.2014	0.275	4,200,000	-	-	-	-	4,200,000
	25.3.2011	25.3.2011 – 24.3.2013	25.3.2013 – 24.3.2021	0.207	1,000,000	-	-	-	-	1,000,000
35,523,000						-	-	(14,883,000)	-	20,640,000

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 I4 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 by way of having one-third of all the Company's directors subject to retirement by rotation 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 announcement 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 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 26 February 2013

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
2013 Interim Report
2013中期業績報告
www.pinegroup.com

