



PINE TECHNOLOGY
HOLDINGS LIMITED

2017

STOCK CODE 1079



INTERIM REPORT

INTERIM RESULTS

The board of 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 2016.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

	Notes	Six months ended	
		2016	2015
		Unaudited	Unaudited
		US\$'000	US\$'000
Revenue	2	120,882	80,823
Cost of sales		<u>(112,371)</u>	<u>(74,793)</u>
Gross profit		8,511	6,030
Other income		51	73
Selling and distribution expenses		(1,892)	(1,873)
General and administrative expenses		(5,036)	(5,125)
Other gains and losses		21	113
Finance costs		<u>(485)</u>	<u>(367)</u>
Profit (loss) before tax	3	1,170	(1,149)
Income tax expense	4	<u>(163)</u>	<u>(50)</u>
Profit (loss) for the period		<u><u>1,007</u></u>	<u><u>(1,199)</u></u>

	Six months ended	
	31 December	
	2016	2015
	Unaudited	Unaudited
<i>Notes</i>	US\$'000	US\$'000
Other comprehensive expense:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(393)</u>	<u>(791)</u>
Other comprehensive expense for the period	<u>(393)</u>	<u>(791)</u>
Total comprehensive income (expense) for the period	<u><u>614</u></u>	<u><u>(1,990)</u></u>
Earnings (loss) per share	5	
– Basic (US cents)	<u><u>0.11</u></u>	<u><u>(0.13)</u></u>
– Diluted (US cents)	<u><u>0.11</u></u>	<u><u>N/A</u></u>

Condensed Consolidated Statement of Financial Position

At 31 December 2016

	Notes	31 December 2016 Unaudited US\$'000	30 June 2016 Audited US\$'000
Non-current assets			
Property, plant and equipment		291	463
Development costs		217	206
Trademarks		154	159
Interest in a joint venture		–	–
Deposit placed for a life insurance policy		453	445
Rental deposits		60	58
		<u>1,175</u>	<u>1,331</u>
Current assets			
Inventories		38,733	39,783
Trade, bills and other receivables	6	77,509	56,604
Amount due from a joint venture		2,215	1,456
Tax recoverable		76	78
Pledged bank deposits		2,727	2,722
Bank balances and cash		5,047	5,931
		<u>126,307</u>	<u>106,574</u>
Current liabilities			
Trade and other payables	7	35,562	22,742
Amount due to a joint venture		1,224	576
Tax payable		520	506
Obligations under finance leases		6	12
Bank borrowings		30,997	25,537
		<u>68,309</u>	<u>49,373</u>
Net current assets		<u>57,998</u>	57,201
		<u>59,173</u>	<u>58,532</u>
Capital and reserves			
Share capital		11,851	11,851
Share premium and reserves		47,256	46,642
		<u>59,107</u>	<u>58,493</u>
Non-current liability			
Deferred tax liability		48	19
Obligations under finance leases		18	20
		<u>66</u>	<u>39</u>
		<u>59,173</u>	<u>58,532</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Share capital	Share premium account	Surplus account	Exchange reserve	Share option reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 July 2015 (audited)	11,851	27,083	2,954	1,162	14	22,426	65,490
Loss for the period	-	-	-	-	-	(1,199)	(1,199)
Other comprehensive expense for the period							
Exchange differences arising on translation of foreign operations	-	-	-	(791)	-	-	(791)
Total comprehensive expense for the period	-	-	-	(791)	-	(1,199)	(1,990)
At 31 December 2015 (unaudited)	<u>11,851</u>	<u>27,083</u>	<u>2,954</u>	<u>371</u>	<u>14</u>	<u>21,227</u>	<u>63,500</u>
At 1 July 2016 (audited)	11,851	27,083	2,954	527	14	16,064	58,493
Profit for the period	-	-	-	-	-	1,007	1,007
Other comprehensive expense for the period							
Exchange differences arising on translation of foreign operations	-	-	-	(393)	-	-	(393)
Total comprehensive expense (income) for the period	-	-	-	(393)	-	1,007	614
At 31 December 2016 (unaudited)	<u>11,851</u>	<u>27,083</u>	<u>2,954</u>	<u>134</u>	<u>14</u>	<u>17,071</u>	<u>59,107</u>

Condensed Consolidated Statement of Cash Flows*For the six months ended 31 December 2016*

	Six months ended	
	31 December	
	2016	2015
	Unaudited	Unaudited
	US\$'000	US\$'000
Net cash used in operating activities	(5,554)	(3,737)
Net cash used in investing activities	(192)	(146)
Net cash from financing activities	4,967	4,394
Net (decrease) increase in cash and cash equivalents	(779)	511
Cash and cash equivalents at 1 July	5,931	8,677
Effect of foreign exchange rate changes	(105)	278
Cash and cash equivalents at 31 December	5,047	9,466

NOTES TO CONDENSED INTERIM ACCOUNTS:

I. Basis of presentation

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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 2016, except as described as below:

In the current interim period, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the new HKFRSs had no material effect on condensed consolidated financial statements of the Group for the current and prior accounting periods.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

2. Revenue and segment information

For management purposes, the Group is currently organised into two operating divisions – manufacture and sales of market video graphic cards and other computer components under the Group’s brand names (“Group brand products”); and distribution of other manufacturers’ computer components and consumer electronic products and others (“Other brand products”).

An analysis of the Group’s unaudited revenue and results for the six months ended 31 December 2016 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2016	2015	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue						
External sales	<u>83,462</u>	<u>44,965</u>	<u>37,420</u>	<u>35,858</u>	<u>120,882</u>	<u>80,823</u>
Result						
Segment result	<u>1,552</u>	<u>(799)</u>	<u>533</u>	<u>435</u>	<u>2,085</u>	<u>(364)</u>
Interest Income					5	5
Unallocated corporate expenses					(435)	(423)
Finance costs					<u>(485)</u>	<u>(367)</u>
Profit (loss) before tax					<u>1,170</u>	<u>(1,149)</u>

3. Profit (loss) before tax

Six months ended	
31 December	
2016	2015
Unaudited	Unaudited
US\$'000	US\$'000

Profit (loss) before tax has been arrived at after charging:

Depreciation and amortisation	204	374
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4. Income tax expense

Six months ended	
31 December	
2016	2015
Unaudited	Unaudited
US\$'000	US\$'000

The charge comprises:

– Hong Kong Profits Tax	3	2
– in Other jurisdictions	160	48
	<u>163</u>	<u>50</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

5. Earnings (loss) per share

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

Six months ended	
31 December	
2016	2015
Unaudited	Unaudited
US\$'000	US\$'000

Profit (loss) for the purpose of: basic and diluted earnings per share	<u>1,007</u>	<u>(1,199)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	921,585	921,585
Effect of dilutive potential ordinary share in respect of outstanding share options	<u>424</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>922,009</u>	<u>921,585</u>

No diluted loss per share for the six months ended 31 December 2015 as the exercise of the share options would result in a reduction in loss per share for the period.

6. Trade, bills 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 and bills receivables, net of allowance for doubtful debt, presented based on the invoice date at the end of the reporting period:

	31 December	30 June
	2016	2016
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	22,163	15,568
31 to 60 days	11,713	8,616
61 to 90 days	12,724	4,078
Over 90 days	29,719	26,498
	<hr/>	<hr/>
Trade and bills receivables	76,319	54,760
Deposits, prepayments and other receivables	1,190	1,844
	<hr/>	<hr/>
	77,509	56,604
	<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	30 June
	2016	2016
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	13,501	17,990
31 to 60 days	13,283	1,195
61 to 90 days	2,839	604
Over 90 days	2,136	238
	<hr/>	<hr/>
Trade payables	31,759	20,127
Deposits in advance, accruals and other payables	3,803	2,615
	<hr/>	<hr/>
	35,562	22,742
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

Business in the first 6 months was strong. The Group's revenue was US\$120,882,000 and gross profit was US\$8,511,000. Compared to the same period last year of US\$80,823,000 revenue and US\$6,030,000 gross profit, it is an increase of 50% and 41% respectively. The gross profit margin is similar to last year. So is the selling and administrative expense.

The financial improvement is mainly due to the successful launch of the of AMD Polaris-based products in our own brand division. The market response has been very positive and the demand has been strong. As a result, we had a profit of US\$1,007,000 compared to a loss of US\$1,199,000 for the same period of last year.

BUSINESS OUTLOOK

We maintain a cautious outlook for the remainder of the year. We expect strong competition and a weak market due to seasonality.

Therefore we will continue to control the operating expenses tightly and to be conservative of the inventory level.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group's financial position

The Group's net current assets and shareholders' equity as at 31 December 2016 were US\$57,998,000 and US\$59,107,000 respectively (30 June 2016: US\$57,201,000 and US\$58,493,000). The Group's current ratio at the end of the reporting year was 1.8 (30 June 2016: 2.2). The Group financed its operations by internally generated cash flows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

Liquidity, financial resources and charge of group asset

As at 31 December 2016, the Group's borrowings are short-term loans of US\$30,997,000 (30 June 2016: US\$25,537,000). The aggregate borrowings US\$30,997,000 (30 June 2016: US\$25,537,000) were secured by pledged bank deposits and deposit placed for a life insurance policy, guaranteed or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2016, total pledged deposits (including deposit placed for a life insurance policy) and all assets of certain subsidiaries as floating charges were amounted US\$3,180,000 and US\$35,897,000 respectively (30 June 2016: US\$3,167,000 and US\$26,308,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2016, the total cash on hand amounted US\$5,047,000 (30 June 2016: US\$5,931,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2016, as compared with that as at 30 June 2016.

Gearing ratio

As at 31 December 2016, the gearing ratio of the Group based on total liabilities over total assets was approximately 54% (30 June 2016: approximately 46%).

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, Reminbi 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 period, the Group has used forward foreign currency contracts to minimize its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies.

Segment Information

Group brand products

For the six months period ended 31 December 2016, the segment's revenue was US\$83,462,000, an increase of 86% compared to US\$44,965,000 from the same period last year. Profit was US\$1,552,000 compared to a loss of US\$799,000 last year. We will continue to manage our inventory level effectively.

Other brand products

In this same period, the segment's revenue was US\$37,420,000, an increase of 4% compared to US\$35,858,000 from last year, and the profit was US\$533,000 compared to US\$435,000 last year. We will continue to broaden the non-PC product offerings and to grow the on-line business.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2016.

Staff

As at 31 December 2016, the Group had 177 office staff, a 1% increase from 176 office staff since June 2016, 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 Directors' emoluments, was US\$3,545,000 for the six months period ended 31 December 2016 as compared with that of approximately US\$3,308,000 for the corresponding period in the 2015.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2016. (30 June 2016: Nil)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARE

As at 31 December 2016 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 pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the “Model Code”) in 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)	216,402,465	23.48%
Chiu Samson Hang Chin (Note 2)	Beneficial owner	174,889,563	18.98%
Chiu Herbert Hang Tat (Note 2)	Beneficial owner	66,051,465	7.17%

Notes:

- 1) Of the 216,402,465 ordinary shares, 19,902,465 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 Hang Tat 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 2016. 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 2016, 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 2016, 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	21.32%
Chiu Man Wah (Note 2)	Beneficial owner	67,944,591	7.37%

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) Ms Chiu Man Wah is the sister of Mr. Chiu Hang Tai, Mr. Chiu Samson Hang Chin, and Mr. Chiu Herbert Hang Tat who are Directors of the Company.

Saved as disclosed above, the Directors are not aware of any person who, as at 31 December 2016, 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

The share option schemes of the Company adopted on 16 April 2003 (the “Old Scheme”) is for the purpose of providing incentives to Directors and eligible employees expired on 15 April 2013, no further share options will be granted under the Old Scheme but the provisions remain in force to extent necessary to give effect to the exercise of any options granted.

Details of the share options outstanding under the Old Scheme during the six months ended 31 December 2016 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 2016	Granted	Expired	Forfeited	Number of
									share options at 31 December 2016
Employees	25.3.2011	25.3.2011 – 24.3.2013	25.3.2013 – 24.3.2021	0.207	1,000,000	-	-	-	1,000,000

The Company’s new share option scheme (the “New Scheme”), which was adopted by the shareholders pursuant to a resolution passed on 22 November 2013 is for the purpose of providing incentives to directors and eligible employees. During the period ended 31 December 2016, no options have been granted under the New Scheme.

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 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 Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming. 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 ended 31 December 2016, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase, or sell any of such shares.

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

Hong Kong, 20 February 2017

As at the date of this report, the executive Directors are Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin, the non-executive Directors are Mr. Chiu Herbert Hang Tat and Mr. Li Chi Chung and the independent non-executive Directors are Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming.



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

INTERIM REPORT 中期業績報告 2017

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