



PINE TECHNOLOGY
HOLDINGS LIMITED

INTERIM
REPORT | 2018

STOCK CODE 1079



Corporate Information

PINE Technology Holdings Limited and XFX Family of Brands

Board of Directors

Executive Directors

Mr. Zhang Sanhuo

Chairman and Chief Executive Officer

Mr. Chiu Hang Tai

Mr. Chan Cheuk Ho

Independent Non-Executive Directors

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

Company Secretary

Mr. Chan Cheuk Ho

Audit Committee

Mr. So Stephen Hon Cheung *Chairman*

Mr. Zhou Chunsheng

Mr. Tian Hong

Remuneration Committee

Mr. So Stephen Hon Cheung *Chairman*

Mr. Zhang Sanhuo

Mr. Zhou Chunsheng

Mr. Tian Hong

Nomination Committee

Mr. Zhang Sanhuo *Chairman*

Mr. So Stephen Hon Cheung

Mr. Zhou Chunsheng

Mr. Tian Hong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

Unit 1201, 12/F.

148 Electric Road, North Point

Hong Kong

Principal Bankers

China Construction Bank (Asia) Corporation Limited

Manufacturers Bank

Toronto-Dominion Bank

Principal Share Registrar and Transfer Agent

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Independent Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

Legal Advisers

As to Hong Kong Law:

Michael Li & Co Solicitors

Stock Code

1079

Website of the Company

www.pinegroup.com

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 2017.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2017

| | | Six months ended | |
|----------------------------------------------------------------------|-------|-------------------------|------------------|
| | | 31 December | |
| | | 2017 | 2016 |
| | | Unaudited | Unaudited |
| | Notes | US\$'000 | US\$'000 |
| Revenue | 2 | 154,329 | 120,882 |
| Cost of sales | | <u>(146,853)</u> | <u>(112,371)</u> |
| Gross profit | | 7,476 | 8,511 |
| Other income | | 451 | 51 |
| Selling and distribution expenses | | (1,905) | (1,892) |
| General and administrative expenses | | (6,617) | (5,036) |
| Other gains and losses | | (263) | 21 |
| Finance costs | | (345) | (485) |
| Share of result of a joint venture | | <u>4</u> | <u>–</u> |
| (Loss) profit before tax | 3 | (1,199) | 1,170 |
| Income tax expense | 4 | <u>(225)</u> | <u>(163)</u> |
| (Loss) profit for the period | | <u>(1,424)</u> | <u>1,007</u> |
| Other comprehensive income (expense): | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>350</u> | <u>(393)</u> |
| Total comprehensive (expense) income for the period | | <u>(1,074)</u> | <u>614</u> |

| | Six months ended | |
|--------------------------------------------------------------------------|-------------------------|------------------|
| | 31 December | |
| | 2017 | 2016 |
| | Unaudited | Unaudited |
| <i>Notes</i> | US\$'000 | US\$'000 |
| (Loss) profit for the period attributable to: | | |
| Owners of the Company | (1,449) | 1,007 |
| Non-controlling interest | 25 | – |
| | <u>(1,424)</u> | <u>1,007</u> |
| Total comprehensive (expense) income for the period attributable to: | | |
| Owners of the Company | (1,151) | 614 |
| Non-controlling interest | 77 | – |
| | <u>(1,074)</u> | <u>614</u> |
| (Loss) earnings per share | 5 | |
| Basic (US cents) | <u>(0.14)</u> | <u>0.11</u> |
| Diluted (US cents) | <u>N/A</u> | <u>0.11</u> |

Condensed Consolidated Statement of Financial Position

At 31 December 2017

| | | 31 December 2017 Unaudited US\$'000 | 30 June 2017 Audited US\$'000 |
|---------------------------------------------------------|-------|--------------------------------------------------------|----------------------------------------|
| | Notes | | |
| Non-current Assets | | | |
| Property, plant and equipment | | 230 | 274 |
| Development costs | | 277 | 242 |
| Trademarks | | 146 | 150 |
| Interest in a joint venture | | 4 | – |
| Deposit placed for a life insurance policy | | 474 | 463 |
| Rental deposits | | 62 | 39 |
| | | <u>1,193</u> | <u>1,168</u> |
| Current Assets | | | |
| Inventories | | 72,289 | 32,178 |
| Trade and other receivables | 6 | 46,034 | 71,335 |
| Amount due from a joint venture | | 2,579 | 1,188 |
| Tax recoverable | | 9 | 9 |
| Pledged bank deposits | | – | 670 |
| Bank balances and cash | | 20,929 | 7,069 |
| | | <u>141,840</u> | <u>112,449</u> |
| Current Liabilities | | | |
| Trade and other payables | 7 | 47,544 | 32,957 |
| Amount due to a joint venture | | 252 | 27 |
| Loan from a non-controlling shareholder of a subsidiary | | 7,511 | 7,511 |
| Tax payable | | 90 | 75 |
| Obligations under finance leases | | – | 20 |
| Bank borrowings | | 16,987 | 16,657 |
| | | <u>72,384</u> | <u>57,247</u> |
| Net Current Assets | | <u>69,456</u> | <u>55,202</u> |
| Total Assets less Current Liabilities | | <u><u>70,649</u></u> | <u><u>56,370</u></u> |

| | 31 December 2017 | 30 June 2017 |
|----------------------------------------------|-----------------------------|----------------------|
| | Unaudited | Audited |
| Notes | US\$'000 | US\$'000 |
| Capital and Reserves | | |
| Share capital | 14,214 | 11,851 |
| Share premium and reserves | <u>54,174</u> | <u>42,394</u> |
| Equity attributable to owners of the Company | 68,388 | 54,245 |
| Non-controlling interest | <u>2,139</u> | <u>2,062</u> |
| Total Equity | <u>70,527</u> | <u>56,307</u> |
| Non-current Liability | | |
| Deferred tax liability | <u>122</u> | <u>63</u> |
| | <u>70,649</u> | <u>56,370</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017

| | Attributable to owners of the Company | | | | | | | Non-controlling interest | Total |
|-------------------------------------------------------------------|---------------------------------------|---------------|-----------------|------------------|-----------------------|------------------|---------------|--------------------------|---------------|
| | Share capital | Share premium | Surplus account | Exchange reserve | Share options reserve | Retained Profits | Total | | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 July 2016 (audited) | 11,851 | 27,083 | 2,954 | 527 | 14 | 16,064 | 58,493 | - | 58,493 |
| Profit for the period | - | - | - | - | - | 1,007 | 1,007 | - | 1,007 |
| Other comprehensive expense for the period | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | (393) | - | - | (393) | - | (393) |
| Total comprehensive (expense) income for the period | - | - | - | (393) | - | 1,007 | 614 | - | 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> | - | <u>59,107</u> |
| At 1 July 2017 (audited) | 11,851 | 27,083 | 2,954 | 394 | - | 11,963 | 54,245 | 2,062 | 56,307 |
| (Loss) profit for the period | - | - | - | - | - | (1,449) | (1,449) | 25 | (1,424) |
| Other comprehensive income for the period | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | - | 298 | - | - | 298 | 52 | 350 |
| Total comprehensive income (expense) for the period | - | - | - | 298 | - | (1,449) | (1,151) | 77 | (1,074) |
| Recognition of equity settled share-based payment | - | - | - | - | 391 | - | 391 | - | 391 |
| Issue of shares under shares subscription | 551 | 2,756 | - | - | - | - | 3,307 | - | 3,307 |
| Issue of shares under shares placing | 1,812 | 9,784 | - | - | - | - | 11,596 | - | 11,596 |
| At 31 December 2017 (unaudited) | <u>14,214</u> | <u>39,623</u> | <u>2,954</u> | <u>692</u> | <u>391</u> | <u>10,514</u> | <u>68,388</u> | <u>2,139</u> | <u>70,527</u> |

Condensed Consolidated Statement of Cash Flows*For the six months ended 31 December 2017*

| | Six months ended | |
|--------------------------------------------------------------------|-------------------------|-------------|
| | 31 December | |
| | 2017 | 2016 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| Net cash used in operating activities | (2,035) | (5,554) |
| Net cash from (used in) investing activities | 455 | (192) |
| Financing activities | | |
| Net proceeds from issue of new shares under share subscriptions | 3,269 | – |
| Net proceeds from placement of new shares | 11,473 | – |
| Others | 452 | 4,967 |
| | <hr/> | <hr/> |
| Cash from financing activities | 15,194 | 4,967 |
| Net increase (decrease) in cash and cash equivalents | 13,614 | (779) |
| Cash and cash equivalents at 1 July | 7,069 | 5,931 |
| Effect of foreign exchange rate changes | 246 | (105) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December | 20,929 | 5,047 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2017, except as described below:

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

| | |
|-----------------------|----------------------------------------------------------|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |

The application of the above amendments to HKFRSs in the current interim period has 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 30 June 2018.

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 graphics 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 2017 and its comparatives are as follows:

| | Group brand products | | Other brand products | | Consolidated | |
|--------------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Revenue | <u>116,611</u> | <u>83,462</u> | <u>37,718</u> | <u>37,420</u> | <u>154,329</u> | <u>120,882</u> |
| Segment result | <u>1,521</u> | <u>1,552</u> | <u>(416)</u> | <u>533</u> | 1,105 | 2,085 |
| Interest income | | | | | 8 | 5 |
| Unallocated corporate expenses | | | | | (1,967) | (435) |
| Finance costs | | | | | <u>(345)</u> | <u>(485)</u> |
| (Loss) profit before tax | | | | | <u>(1,199)</u> | <u>1,170</u> |

3. (Loss) profit before tax

| Six months ended | |
|-------------------------|-----------|
| 31 December | |
| 2017 | 2016 |
| Unaudited | Unaudited |
| US\$'000 | US\$'000 |

(Loss) profit before tax has been arrived at after charging:

| | | |
|-------------------------------|-----|-----|
| Depreciation and amortisation | 210 | 204 |
|-------------------------------|-----|-----|

4. Income tax expense

| Six months ended | |
|-------------------------|-----------|
| 31 December | |
| 2017 | 2016 |
| Unaudited | Unaudited |
| US\$'000 | US\$'000 |

The charge comprises:

| | | |
|-------------------------|-----|-----|
| – Hong Kong Profits Tax | 3 | 3 |
| – Other jurisdictions | 222 | 160 |
| | 225 | 163 |
| | 225 | 163 |

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. (Loss) earnings per share

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

| | Six months ended | |
|--------------------------------------------------------------------|--------------------------|-----------------------|
| | 31 December | |
| | 2017 | 2016 |
| | Unaudited | Unaudited |
| | US\$'000 | US\$'000 |
| (Loss) earnings | | |
| (Loss) profit for the period attributable to owners of the Company | | |
| for the purpose of basic and diluted (loss) earnings per share | <u><u>(1,449)</u></u> | <u><u>1,007</u></u> |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the | | |
| purpose of basic (loss) earnings per share | 1,013,074 | 921,585 |
| Effect of dilutive potential ordinary share in respect of | | |
| outstanding share options | <u>N/A</u> | <u>424</u> |
| Weighted average number of ordinary shares for the | | |
| purpose of diluted (loss) earnings per share | <u><u>N/A</u></u> | <u><u>922,009</u></u> |

No diluted loss per share for the six months ended 31 December 2017 was presented as the exercise of the share options would result in a reduction in loss per share for the period.

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 | 30 June |
|---------------------------------------------|--------------------|---------------|
| | 2017 | 2017 |
| | Unaudited | Audited |
| | US\$'000 | US\$'000 |
| 1 to 30 days | 29,752 | 19,331 |
| 31 to 60 days | 7,885 | 12,745 |
| 61 to 90 days | 4,472 | 10,618 |
| Over 90 days | 3,557 | 27,635 |
| | <hr/> | <hr/> |
| Trade receivables | 45,666 | 70,329 |
| Deposits, prepayments and other receivables | 368 | 1,006 |
| | <hr/> | <hr/> |
| | 46,034 | 71,335 |
| | <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 |
|--------------------------------------------------|--------------------|---------------|
| | 2017 | 2017 |
| | Unaudited | Audited |
| | US\$'000 | US\$'000 |
| 1 to 30 days | 35,809 | 16,399 |
| 31 to 60 days | 4,330 | 11,332 |
| 61 to 90 days | 2,143 | 1,383 |
| Over 90 days | 1,514 | 497 |
| | <hr/> | <hr/> |
| Trade payables | 43,796 | 29,611 |
| Deposits in advance, accruals and other payables | 3,748 | 3,346 |
| | <hr/> | <hr/> |
| | 47,544 | 32,957 |
| | <hr/> <hr/> | <hr/> <hr/> |

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2017 (31 December 2016: Nil).

BUSINESS REVIEW

In the first six months of the fiscal year, the Group's revenue was approximately US\$154,329,000 and gross profit was approximately US\$7,476,000 compared to the same period last year of US\$120,882,000 and US\$8,511,000 respectively. The selling and distribution, and general and administrative expenses were increased to a total of approximately US\$8,522,000, representing 5.5% of revenue compared with last year of approximately US\$6,928,000, representing 5.7% of revenue.

During the period under review, our own brand division took an aggressive strategy to pursue the market share. As a result, the overall company's revenue increased by 28%, but the gross profit dropped by 12.2% compared to last year, and the selling and distribution, and general and administrative expenses were up by 23%. This resulted in a net loss of approximately US\$1,424,000.

BUSINESS OUTLOOK

We expect that the competition will continue to be intense for both the business segments. As such, we will continue our aggressive strategy to go after the market share and to remain competitive. At the same time, we will also continue to be prudent in managing the accounts receivable and the inventory level.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group's financial position

The Group's net current assets and equity attributable to owners of the Company as at 31 December 2017 were approximately US\$69,456,000 and approximately US\$68,388,000 respectively (30 June 2017: approximately US\$55,202,000 and approximately US\$54,245,000). The Group's current ratio at the end of the reporting period was approximately 2.0 (30 June 2017: approximately 2.0). The Group financed its operations by internally generated cash flows, banking facilities provided by its bankers and placing of new shares. 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 2017, the Group's bank borrowings are short-term loans of approximately US\$16,987,000 (30 June 2017: approximately US\$16,657,000) which were secured by deposit placed for a life insurance policy, guaranteed or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2017, deposit placed for a life insurance policy and all assets of certain subsidiaries as floating charges amounted to approximately US\$474,000 and approximately US\$35,542,000 respectively (30 June 2017: approximately US\$463,000 and approximately US\$24,753,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2017, the total cash on hand approximately amounted to US\$20,929,000 (30 June 2017: approximately US\$7,069,000).

Capital structure

Saved as disclosed below under the section "Fund raising activities", there was no other change in the capital structure of the Group for the six months ended 31 December 2017.

Fund raising activities

As disclosed in the announcement of the Company dated 28 July 2017, the Company entered into a placing agreement dated 28 July 2017 in relation to the placing of convertible bonds with an aggregate principal amount of up to HK\$115,000,000. As further disclosed in the announcement of the Company dated 18 August 2017, given that the conditions of such placing is not fulfilled on or before 18 August 2017, being the long stop date for the fulfillment of the conditions of the placing, the placing lapsed on 18 August 2017.

As disclosed in the announcement of the Company dated 30 August 2017, the Company entered into two separate subscription agreements (the "Subscription Agreements") with two independent subscribers for the subscription of a total of 43,000,000 new ordinary shares of HK\$0.10 each at a subscription price of HK\$0.60 per subscription share (the "Subscriptions"). The closing market price of the shares of the Company on the date of the Subscription Agreements was HK\$0.60. The Subscriptions were completed on 1 September 2017 and a total of 43,000,000 new ordinary shares with a nominal value of HK\$4,300,000 were issued to the two independent subscribers at a net issue price of HK\$0.593 per subscription share with net proceeds of approximately HK\$25.50 million (equivalent to approximately US\$3,269,000). It was proposed that the net proceeds from the Subscriptions would be used for general working capital of the Group.

Further, as disclosed in the announcement of the Company dated 21 September 2017, the Company entered into a placing agreement dated 21 September 2017 in relation to the placing of up to 141,316,956 new shares of HK\$0.10 each at a placing price of HK\$0.64 per placing share. The completion of the placing took place on 11 October 2017, where an aggregate of 141,316,956 new shares have been successfully placed to not less than six placees, who and whose ultimate beneficial owner(s) (if applicable) are independent third parties, at the placing price of HK\$0.64 per placing share with net proceeds of approximately HK\$89.49 million (equivalent to approximately US\$11,473,000). The net proceeds were intended to be used as to approximately HK\$10 million for general working capital of the Group and as to approximately HK\$79.49 million for new business opportunities that may be identified by the Company from time to time. As further disclosed in the announcement of the Company dated 12 February 2018, the Company intended to apply as to approximately HK\$70 million of such placing proceeds for the development of money lending business of the Group.

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group based on total liabilities over total assets was approximately 51% (30 June 2017: approximately 50%).

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, Renminbi 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 ended 31 December 2017, the segment's revenue was approximately US\$116,611,000, an increase of 40% compared to approximately US\$83,462,000 from the same period last year. Profit was approximately US\$1,521,000 compared to approximately US\$1,552,000 last year. We will continue to go after the market share aggressively.

Other brand products

In this same period, the segment's revenue was approximately US\$37,718,000 compared to approximately US\$37,420,000 from last year, and the net loss was approximately US\$416,000 compared to profit of approximately US\$533,000 last year. We will continue to broaden the non-PC product offerings and to improve the operational efficiency to reduce the overhead cost.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2017.

Staff

As at 31 December 2017, the Group had 158 office staff, a 1% decrease from 159 office staff since 30 June 2017, 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 approximately US\$4,292,000 for the six months ended 31 December 2017 as compared with that of approximately US\$3,545,000 for the corresponding period in the 2016.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017 (30 June 2017: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December, 2017, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions:

Ordinary Shares of HK\$0.10 each

| Name of company | Name of director | Nature of interest | Number of Shares held | Approximate percentage of the issued share capital of the Company |
|----------------------------------|-------------------------|---------------------------|------------------------------|--------------------------------------------------------------------------|
| PINE Technology Holdings Limited | Zhang Sanhuo | Controlled corporation | 721,563,680 (Note 1) | 65.25% |

Long positions:

Ordinary shares of USD\$1.00 each of Pine Technology (BVI) Limited

| Name of company | Name of director | Nature of interest | Approximate percentage | |
|-------------------------------|------------------|------------------------|------------------------------|--------------------------------------------|
| | | | Number of issued shares held | of the issued share capital of the company |
| PINE Technology (BVI) Limited | Chiu Hang Tai | Controlled corporation | 1,500 <i>(Note 2)</i> | 15% |

Notes:

- Shares are beneficially owned by and registered in the name of Sage Global Holdings Limited (“Sage Global”), which is a company incorporated in the British Virgin Islands (“BVI”) and its entire issued share capital is wholly and beneficially owned by South Pearl Ventures Limited (“South Pearl”), and South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, the Chairman and an executive Director. As at 31 December 2017, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.
- The shares are beneficially owned by and registered in the name of Simply Perfect Group Limited (“Simply Perfect”), which is a company incorporated in the BVI and 41% of its share capital is beneficially owned by Mr. Chiu Hang Tai, an executive Director. Mr. Chiu Hang Tai is deemed to be interested in the shares held by Simply Perfect by virtue of the SFO.

Long position in the underlying Shares:

| Name of Directors | Nature of interest | Number of Shares held | Approximate percentage of the issued share capital of the Company |
|--------------------------|---------------------------|------------------------------|--------------------------------------------------------------------------|
| Zhang Sanhuo | Beneficial owner | 6,000,000 <i>(Note 1)</i> | 0.54% |
| Chan Cheuk Ho | Beneficial owner | 6,000,000 <i>(Note 2)</i> | 0.54% |

Notes:

1. These underlying Shares are held by Mr. Zhang Sanhuo, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK\$0.83 per share.
2. These underlying Shares are held by Mr. Chan Cheuk Ho, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK\$0.83 per share.

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, the wife 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 2017. The non-voting deferred shares practically carry no rights to dividends 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 the ordinary shares.

Save as disclosed above, as at 31 December 2017, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as the interests of certain Directors disclosed under the section headed "Directors' and chief executive's interests and short position in shares, underlying shares and debentures", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 31 December 2017, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

| Name of company | Name of substantial shareholder | Nature of interest | Number of issued shares held | Position | Approximate percentage of the issued share capital of the corresponding company |
|----------------------------------|----------------------------------------|---------------------------|-------------------------------------|-----------------|----------------------------------------------------------------------------------------|
| PINE Technology Holdings Limited | Sage Global Holdings Limited | Beneficial owner | 721,563,680 | Long | 65.25% |
| | | | 721,563,680 (Note 1) | Short | 65.25% |
| PINE Technology (BVI) Limited | Simply Perfect Group Limited | Beneficial owner | 1,500 (Note 2) | Long | 15% |

Notes:

1. Sage Global beneficially owns 721,563,680 Shares. Sage Global is wholly and beneficially owned by South Pearl. South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director and the chairman of the Company. As at 31 December 2017, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.
2. The shares are beneficially owned by and registered in the name of Simply Perfect which was incorporated in the BVI and 41% of its share capital is beneficially owned by Mr. Chiu Hang Tai, an executive Director.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2017.

SHARE OPTIONS

The Company's share option scheme adopted by the shareholders pursuant to a resolution passed on 22 November 2013 (the "Scheme") was established for the purpose of providing incentives to the Directors and eligible employees or any persons who have contributed or will contribute to the Group and, unless otherwise cancelled or amended, will expire on 21 November 2023.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK\$1 per option. An option may be exercised in accordance with the terms of the Scheme at any time during the respective effective period of the Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

As disclosed in the announcement dated 22 September 2017, there were 12,000,000 share options granted to certain Directors with an exercise price HK\$0.83 per share pursuant to the Scheme. Details of the share options outstanding under the Scheme during the six months ended 31 December 2017 to subscribe for the shares in the Company are as follows:

| Granted to | Position(s) held in the Company | Date of grant | Validity period (both dates inclusive) | Exercisable period (both dates inclusive) | Exercise price HK\$ | Number of share options Outstanding as at |
|------------------|------------------------------------|------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------|
| | | | | | | 31 December 2017 |
| Mr. Zhang Sanhuo | Chairman and Executive Director | 22.9.2017 | 22.9.2017 to 21.9.2027 | 33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027 | 0.83 | 6,000,000 |

| Granted to | Position(s) held in the Company | Date of grant | Validity period (both dates inclusive) | Exercisable period (both dates inclusive) | Exercise price HK\$ | Number of share options Outstanding as at 31 December 2017 |
|-------------------|---------------------------------|---------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------|
| Mr. Chan Cheuk Ho | Executive Director | 22.9.2017 | 22.9.2017 to 21.9.2027 | 33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027 | 0.83 | 6,000,000 |

For the six months ended 31 December 2017, the Group has recognized approximately US\$391,000 (31 December 2016: Nil) of share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

CODE ON CORPORATE GOVERNANCE PRACTICES

As disclosed in the announcement of the Company dated 15 November 2017, Mr. Li Jiàn (“Mr. Li”) had been appointed as the chief executive officer of the Company (the “CEO”). The Company had complied with the code provisions of the Code of Corporate Governance Practices (the “CG Code”) set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2017 since the appointment of Mr. Li, except for the deviation from code Provision A.4.2, details of which will be explained below:

Under code Provision A.4.2 of the CG Code, 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.

As disclosed in the announcements of the Company dated 3 January 2018 and 8 January 2018, the service agreement with Mr. Li has been terminated with effect from 3 January 2018 and Mr. Zhang Sanhuo (“Mr. Zhang”), the Chairman of the Board and an executive Director of the Company, has been appointed as the CEO with effect from 3 January 2018. It constituted a deviation from code Provision A.2.1 of the CG Code set out in Appendix 14 of the Listing Rules since 3 January 2018, details of which will be explained below:

Pursuant to the code Provision A.2.1 of the CG Code, it is stipulated that the roles of the Chairman and the CEO should be separated and should not be performed by the same individual. As Mr. Zhang is the Chairman and the CEO, the code provision A.2.1 of the CG Code is not fully complied with. The positions of the Chairman and CEO of the Company are held by Mr. Zhang who has extensive knowledge about the management. The Board believes that, in the circumstances, vesting the roles of the Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Company considers that, temporarily, there is no imminent need to change this structure.

REVIEW OF INTERIM FINANCIAL INFORMATION

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, Mr. Zhou Chunsheng and Mr. Tian Hong. The audit committee has reviewed 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 standards as set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2017, 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.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

On 1 February 2018, the remuneration package of Mr. Zhang had been changed. In view of Mr. Zhang's performance and contribution, on top of Mr. Zhang's monthly remuneration, the Company would provide a premise for living to Mr. Zhang.

Mr. Zhang's remuneration is governed by the Bye-laws and he is currently entitled to receive a monthly remuneration of HK\$100,000 and a premise for living which is determined by the Board based on the recommendation from the Remuneration Committee of the Company with reference to, among other matters, his duties and responsibilities, salary paid by comparable companies, time commitment, employment conditions of other members of the Group and a bonus for each financial year which is subject to the discretion of the Board.

Save as disclosed above, during the period, and as at the date of this report, there were no other changes to the Directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By order of the Board
PINE Technology Holdings Limited
Zhang Sanhuo
Chairman

Hong Kong, 26 February 2018



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

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