PINE

PINE TECHNOLOGY HOLDINGS LIMITED

Stock Code 1079

INTERIM REPORT | 2019

Corporate Information

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

Manufacturers Bank
Toronto-Dominion Bank
Bank of Communications (Hong Kong) Limited

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 ("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 2018.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

		Six months ended 31 December	
		2018	2017
		Unaudited	Unaudited
	Notes	***US$'000***	*US$'000*
Revenue	2	**62,790**	154,329
Cost of sales		**(67,484)**	(146,853)
Gross (loss) profit		**(4,694)**	7,476
Other income		**216**	451
Selling and distribution expenses		**(1,603)**	(1,905)
General and administrative expenses		**(7,303)**	(6,617)
Other gains and losses		**(2,053)**	(263)
Finance costs		**(284)**	(345)
Share of result of a joint venture		**–**	4
Loss before tax	3	**(15,721)**	(1,199)
Income tax credit (expense)	4	**194**	(225)
Loss for the period		**(15,527)**	(1,424)

	Notes	Six months ended 31 December 2018 Unaudited *US$'000*	2017 Unaudited *US$'000*
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(480)**	350
Total comprehensive expense for the period		**(16,007)**	(1,074)
(Loss) profit for the period attributable to:			
Owners of the Company		**(13,736)**	(1,449)
Non-controlling interests		**(1,791)**	25
		(15,527)	(1,424)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(14,166)**	(1,151)
Non-controlling interests		**(1,841)**	77
		(16,007)	(1,074)
Loss per share	*5*		
Basic (US cents)		**(1.06)**	(0.14)
Diluted (US cents)		**N/A**	N/A

Condensed Consolidated Statement of Financial Position

At 31 December 2018

	Notes	**31 December 2018 Unaudited US$'000**	30 June 2018 Audited US$'000
Non-current Assets			
Property, plant and equipment		**875**	853
Development costs		**–**	–
Goodwill	*11*	**7,163**	–
Other intangible assets	*6*	**13,932**	–
Contingent consideration	*7*	**753**	–
Trademarks		**3**	3
Interest in a joint venture		**–**	–
Deposit placed for a life insurance policy		**493**	484
Rental deposits		**66**	47
		23,285	1,387
Current Assets			
Inventories		**64,167**	100,485
Trade and other receivables	*8*	**25,021**	12,665
Contingent consideration	*7*	**1,931**	–
Loan receivables	*9*	**9,562**	9,162
Tax recoverable		**17**	14
Bank balances and cash		**5,584**	8,681
		106,282	131,007
Current Liabilities			
Trade and other payables	*10*	**37,690**	48,763
Contract liabilities		**94**	–
Loan from a non-controlling shareholder of a subsidiary		**7,511**	7,511
Loan from a director		**2,962**	–
Tax payable		**273**	9
Secured bank borrowings		**9,022**	13,334
		57,552	69,617
Net Current Assets		**48,730**	61,390
Total Assets less Current Liabilities		**72,015**	62,777

	Notes	31 December 2018 Unaudited *US$'000*	30 June 2018 Audited *US$'000*
Capital and Reserves			
Share capital		**17,045**	14,214
Share premium and reserves		**53,519**	47,361
Equity attributable to owners of the Company		**70,564**	61,575
Non-controlling interests		**(810)**	1,031
		69,754	62,606
Non-current Liability			
Deferred tax liabilities		**2,261**	171
		72,015	62,777

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Surplus account US$'000	Exchange reserve US$'000	Share options reserve US$'000	Retained profits/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
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)	14,214	39,623	2,954	692	391	10,514	68,388	2,139	70,527
At 1 July 2018 (audited)	**14,214**	**39,623**	**2,954**	**524**	**532**	**3,728**	**61,575**	**1,031**	**62,606**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(13,736)**	**(13,736)**	**(1,791)**	**(15,527)**
Other comprehensive expense for the period									
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**(430)**	**-**	**-**	**(430)**	**(50)**	**(480)**
Total comprehensive expense for the period	**-**	**-**	**-**	**(430)**	**-**	**(13,736)**	**(14,166)**	**(1,841)**	**(16,007)**
Recognition of equity settled share-based payment	**-**	**-**	**-**	**-**	**1,641**	**-**	**1,641**	**-**	**1,641**
Issue of shares *(Note 11)*	**2,831**	**18,683**	**-**	**-**	**-**	**-**	**21,514**	**-**	**21,514**
At 31 December 2018 (unaudited)	**17,045**	**58,306**	**2,954**	**94**	**2,173**	**(10,008)**	**70,564**	**(810)**	**69,754**

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	Unaudited	Unaudited
	US$'000	*US$'000*
Net cash used in operating activities	**(893)**	(2,035)
Net cash (used in) from investing activities	**(30)**	455
Financing activities		
Net proceeds from issue of new shares under share subscriptions	**–**	3,269
Net proceeds from placement of new shares	**–**	11,473
Others	**(2,151)**	452
Net cash (used in) from financing activities	**(2,151)**	15,194
Net (decrease) increase in cash and cash equivalents	**(3,074)**	13,614
Cash and cash equivalents at 1 July	**8,681**	7,069
Effect of foreign exchange rate changes	**(23)**	246
Cash and cash equivalents at 31 December	**5,584**	20,929

NOTES TO CONDENSED INTERIM ACCOUNTS

1. 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 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 2018, 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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.

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.

The Group has initially adopted HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* which are relevant to the Group's unaudited condensed consolidated financial statements from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's unaudited condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables and bank balances and cash. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, and loan receivables, where the corresponding adjustment is recognised through a loss allowance account.

The directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that the application does not result in any financial impact to the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue under HKFRS 15 from the following major sources:

- manufacturing and sales of market video graphics cards and other computer components
- trading business
- computer software and hardware and system development

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For manufacturing and sales of market video graphics cards and other computer components as well as trading business, revenue is recognised at a point in time when the customer obtains the control of the goods, the Group has present right to payment and the collection of the consideration is probable.

For computer software and hardware and system development, the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The directors of the Company reviewed and assessed the Group's existing revenue recognition policy using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 15 and concluded that the application does not result in material financial impact to the condensed consolidated financial statements.

2. Revenue and segment information

For management purposes, the Group is currently organised into five operating divisions – manufacture and sales of market video graphics cards and other computer components under the Group's brand names ("Group brand products"); distribution of other manufacturers' computer components and consumer electronic products and others ("Other brand products"); money lending service; trading business and computer software and hardware and system development.

During the period ended 31 December 2018, the Group has commenced its trading business and computer software and hardware and system development business in the PRC. The operating segments regarding these businesses were reported.

An analysis of the Group's unaudited revenue and results for the six months ended 31 December 2018 and its comparatives are as follows:

2018	Group brand products Unaudited *US$'000*	Other brand products Unaudited *US$'000*	Money Lending Service Unaudited *US$'000*	Trading business Unaudited *US$'000*	Computer software and hardware and system development Unaudited *US$'000*	Consolidated Unaudited *US$'000*
Revenue	26,867	29,103	482	4,235	2,103	62,790
Segment result	(13,814)	163	196	(91)	11	(13,535)
Interest income						4
Unallocated corporate expenses						(1,906)
Finance costs						(284)
Loss before tax						(15,721)

2017	Group brand products Unaudited *US$'000*	Other brand products Unaudited *US$'000*	Money Lending Service Unaudited *US$'000*	Trading business Unaudited *US$'000*	Computer software and hardware and system development Unaudited *US$'000*	Consolidated Unaudited *US$'000*
Revenue	116,611	37,718	–	–	–	154,329
Segment result	1,521	(416)	–	–	–	1,105
Interest income						8
Unallocated corporate expenses						(1,967)
Finance costs						(345)
Loss before tax						(1,199)

3. Loss before tax

	Six months ended 31 December 2018 Unaudited *US$'000*	2017 Unaudited *US$'000*
Loss before tax has been arrived at after charging:		
Impairment losses on amount due from a joint venture	**816**	–
Impairment losses on development costs	**86**	–
Impairment losses on property, plant and equipment	**80**	–
Impairment losses on trademarks	**1**	–
Amortisation of other intangible assets	**645**	–
Depreciation and amortisation	**132**	210
	1,760	210

4. Income tax (credit) expense

	Six months ended 31 December 2018 Unaudited *US$'000*	2017 Unaudited *US$'000*
The (credit) charge comprises:		
– Hong Kong Profits Tax	**3**	3
– Other jurisdictions	**(197)**	222
	(194)	225

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 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 2018 Unaudited *US$'000*	2017 Unaudited *US$'000*
Loss		
Loss for period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(13,736)**	(1,449)
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,300,302**	1,013,074
Effect of dilutive potential ordinary share in respect of outstanding share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,300,302**	1,013,074

No diluted loss per share for both periods was presented as the exercise of the share options would result in a reduction in loss per share for both periods.

6. Other intangible assets

Other intangible assets included customer relationship of US$14,707,235 which is arisen from the acquisition of subsidiary as set out in note 11. The other intangible assets are amortised over their estimated useful life of 10 years using the straight-line method. Amortisation of US$645,154 (six months ended 31 December 2017: Nil) had been made during the six months ended 31 December 2018.

7. Contingent consideration

Profit guarantee (determined on a provisional basis):

	31 December 2018	30 June 2018
	Unaudited	Audited
	US$'000	*US$'000*
Profit guarantee – Non-current	**753**	–
Profit guarantee – Current	**1,931**	–
	2,684	–

Profit guarantee represents the guarantee provided by Harmonious Miles Limited, as a vendor (the "Harmonious Miles") in favour of Talent Crest Limited (being a wholly-owned subsidiary of the Company) as a purchaser ("Talent Crest") in respect of the acquisition (the "Acquisition") of Eternal Abundant Limited ("Eternal Abundant"), of which the audited consolidated profit after tax of Eternal Abundant and its subsidiaries as shown in the audited consolidated accounts of the Group for (i) the 12-month period commencing from the date of completion of the Acquisition (the "Completion Date"); (ii) the 12-month period commencing from the date falling on the first anniversary of the Completion Date; and (iii) the 12-month period commencing from the date falling on the second anniversary of the Completion Date shall not be less than HK$14,500,000, HK$15,500,000 and HK$16,500,000 respectively (the "Profit Guarantee"). In the event of non-fulfilment of the Profit Guarantee, Harmonious Miles and/or Mr. Wu Chung Man Ronnie (being the vendor's guarantor) shall compensate Talent Crest by 23.7 times of the aggregate amount of shortfall of the relevant guarantee period(s) in cash, and such compensation shall not exceed the sum of HK$220,800,000, being the amount of consideration for the Acquisition, in any event. Please refer to note 11 and the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition. The fair value of the contingent consideration of RMB18,183,587 (equivalent to approximately US$2,684,079) at the date of completion of Acquisition is estimated based on the valuation carried out by Greater China Appraisal Limited ("Greater China"), an independent professional valuer not connected with the Group.

8. 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 2018 Unaudited *US$'000*	30 June 2018 Audited *US$'000*
1 to 30 days	**14,614**	7,478
31 to 60 days	**5,688**	2,112
61 to 90 days	**603**	1,142
Over 90 days	**3,094**	830
Trade receivables	**23,999**	11,562
Deposits, prepayments and other receivables	**1,022**	1,103
	25,021	12,665

9. Loan receivables

	31 December 2018 Unaudited *US$'000*	30 June 2018 Audited *US$'000*
Fixed-rate loan receivables	**9,562**	9,162

Unsecured loan receivables carry fixed-rate interest ranging from 12% to 18% per annum and with maturity ranging from three to nine months. All amounts of principal will be receivable on respective maturity dates.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

There were no loan receivables past due at the end of the reporting period. The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the Directors believe that there is no allowance or impairment required.

10. 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 2018 Unaudited ***US$'000***	30 June 2018 Audited *US$'000*
1 to 30 days	**20,425**	33,021
31 to 60 days	**2,139**	10,134
61 to 90 days	**373**	1,595
Over 90 days	**9,933**	1,118
Trade payables	**32,870**	45,868
Deposits in advance, accruals and other payables	**4,820**	2,895
	37,690	48,763

11. Acquisition of subsidiary

On 9 July 2018, Talent Crest as purchaser entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement thereto dated 13 July 2018, collectively known as, the "Sale and Purchase Agreement") with Harmonious Miles as vendor and Mr. Wu Chung Man Ronnie as guarantor for the Acquisition for a consideration of HK$220,800,000. The total consideration of the Acquisition was settled by the allotment and issue of an aggregate of 220,800,000 new ordinary shares of the Company. The Acquisition was completed on 23 July 2018.

Pursuant to the Sale and Purchase Agreement, Harmonious Miles has warranted and guaranteed to Talent Crest that the audited consolidated profit after tax of Eternal Abundant and its subsidiaries as shown in the audited consolidated accounts of the Group for (i) the 12-month period commencing from the Completion Date; (ii) the 12-month period commencing from the date falling on the first anniversary of the Completion Date; and (iii) the 12-month period commencing from the date falling on the second anniversary of the Completion Date shall not be less than HK$14,500,000, HK$15,500,000 and HK$16,500,000 respectively. In the event of non-fulfilment of the Profit Guarantee, Harmonious Miles and/or the guarantor shall compensate Talent Crest by 23.7 times of the aggregate amount of shortfall of the relevant guarantee period(s) in cash, and such compensation shall not exceed the sum of HK$220,800,000, being the amount of consideration for the Acquisition, in any event.

Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition.

Consideration transferred (determined on a provisional basis):

	US$'000
Issue of new ordinary shares of the Company *(note a)*	21,514
Contingent consideration arrangement *(note b)*	(2,684)
At 31 December 2018	18,830

Notes:

(a) The fair value of the ordinary shares of the Company issued as consideration is determined by reference to the quoted market price of HK$0.76 per each of the ordinary shares of the Company at the Completion Date.

(b) The contingent consideration arrangement represents the Profit Guarantee provided by Harmonious Miles in favour of Talent Crest pursuant to the Sale and Purchase Agreement. The fair value of the contingent consideration of RMB18,183,587 (equivalent to approximately US$2,684,079) at the Completion Date is estimated based on the valuation carried out by Greater China. The fair value of the Profit Guarantee is determined by using the Monte Carlo Simulation model under the income approach and was within Level 3 fair value measurement. The fair value of the Profit Guarantee is determined at the date of Acquisition on a provisional basis as fair value had not been finalized.

Assets acquired and liabilities recognised at the date of Acquisition (determined on a provisional basis):

	Carrying amount in the acquiree's financial records *US$'000*	**Fair value adjustment** *US$'000*	**Provisional fair value of net assets** *US$'000*
Property, plant and equipment	119	–	119
Goodwill	150	(150)	–
Other intangible assets	–	14,707	14,707
Accounts receivable	614	–	614
Deposits, prepayments and other receivables	38	–	38
Bank balances and cash	80	–	80
Inventories	881	–	881
Accounts payable	(181)	–	(181)
Accrual and other payables	(1,791)	–	(1,791)
Bank borrowings	(594)	–	(594)
Deferred tax liability	–	(2,206)	(2,206)
	(684)	12,351	11,667

The fair value of assets and liabilities are determined at the date of Acquisition on a provisional basis as fair value had not been finalized.

Goodwill arising (determined on a provisional basis):

	US$'000
Consideration transferred	18,830
Less: Identifiable net assets acquired	(11,667)
At 31 December 2018	7,163

Goodwill arose from the Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and the assembled workforce of Eternal Abundant. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising from the Acquisition is expected to be deductible for tax purposes.

The fair value of assets and liabilities are determined at the date of Acquisition on a provisional basis as fair value had not been finalized.

Cash inflow arising from the Acquisition during the period ended 31 December 2018:

	US$'000
Bank balances and cash acquired	80

Included in the loss for the period ended 31 December 2018 is a profit of US$641,620 attributable to Eternal Abundant. Revenue for the period ended 31 December 2018 includes US$2,103,125 generated from Eternal Abundant.

Had the Acquisition been completed on 1 July 2018, the Directors would not have expected a material impact to the Group's revenue and loss for the period as the revenue and losses contributed by Eternal Abundant from 1 July 2018 up to 23 July 2018 (the Completion Date) was insignificant to the Group. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 July 2018, nor is it intended to be a projection of future results.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2018 (31 December 2017: Nil).

BUSINESS REVIEW

In the first six months of this financial year, the Group's revenue was US$62,790,000 and gross loss was US$4,694,000 compared to the same period last year of approximately US$154,329,000 and gross profit of approximately US$7,476,000 respectively. The selling and distribution, and general and administrative expenses were US$8,906,000. This resulted in a net loss of US$15,527,000.

In year 2017, there was a huge increase in the market value of crypto currencies. Its total market value shot up from approximately US$18 billion at the beginning of the year to approximately US$800 billion at the end of the year. During this period, huge amount of high end crypto-specific graphics cards were used in the mining farms to mine the currencies. The demand on these crypto-centric graphics cards was so strong that it drove an overall component shortage. As a result, we had to make a large commitment to secure future delivery of chipsets and key components at higher cost.

Year 2018 was a complete opposite. The value of crypto currencies dropped by almost 80%. Not only did the demand of the graphics card on crypto currencies mining disappear, many miners also dismantled the machines and flooded the market with the used graphics card at absurdly low bargain price. This wreaked havoc on the whole market. Like everyone else, we had inventory at high cost and had to sell the products at heavy discount. The high material cost and the low selling price at such a swift change caused the sales slump that we have not seen before.

Since the first half of 2018, the Company has extended the scope of the Group's existing business by applying up to approximately HK$70 million for the development of money lending business in Hong Kong.

During the period under review, the Company has set up a joint venture company, namely Pine Dahui (Shanghai) International Trading Co., Ltd. ("Pine Dahui"), in the People's Republic of China (the "PRC") which carries on trading business. The Group holds 60% of the shareholding of Pine Dahui. The Directors believe that the entry of the new business scope will broaden the Group's revenue basis to achieve a better return for the shareholders.

The Company successfully acquired China UIP Information Technology Co. Ltd. ("China UIP") in July 2018. China UIP is a company established in the PRC which is principally engaged in computer software and hardware and system development for e-government and e-commerce solutions in the PRC. In 2003, China UIP set up its headquarter in Guangzhou and currently, its total number of staff exceeds 80 persons.

Taking into consideration the prolonged experience in the IT industry for more than 15 years, China UIP has developed a good reputation in the IT industry and a wide range of technology services, including but not limited to, (i) the self-developed platform for government at all levels, (ii) the comprehensive platform of the market supervision department, (iii) the law enforcement system, the big data management platform and the food safety and the traceability management platform, and (iv) over 30 software products and solutions with copyrights registered in the government sector. Looking forward, China UIP shall further expand its business from government sectors to commercial sectors by providing solutions to its customers.

BUSINESS OUTLOOK

We think that the value of the crypto currency will remain volatile in 2019 and continue to stay low for a long period of time, which will result in continuous flooding of more second hand graphic cards to the market at much lower prices than their actual replacement costs. We believe the graphic card market of 2019 will continue to be volatile and gloomy.

Taking into consideration the above, we will adopt a conservative approach and go back to the basics to manage the inventory and to streamline the operations in order to stay competitive. We will also continue to focus on bringing down our operation costs and stock level and resume our focus on the traditional gaming market when all these disruption gradually subsides.

As the competition in the high-quality computer components will continue to be intense for the business segments, the Directors will continue to review existing principal business and the strategic directions and operations of the Group to chart the long-term corporate strategy and growth and to explore other business or investment opportunities.

Although the Directors are of the view that the prospect of the money lending business will be positive and the potential of the business is high, we will still take a cautious approach to operate the money lending business in order to minimize the risk of bad debt.

With respect of the computer software and hardware and system development business, we will allocate more resources to this sector as the Directors consider that the demand by government or private sector in the PRC of those software and hardware systems will keep growing in future. On the other hand, we will closely monitor the effect on the PRC economy which may arise from the trade war between the PRC and the United States. We anticipate that the computer software and hardware and system development business will become the major source of profit.

The Directors believe that the entry of those new business segments during the first half of the fiscal year will diversify the Group's business scope with a view to broadening its revenue basis to enhance its profitability for our shareholders in long term. We will keep looking for any good investment opportunities in the market in future in order to increase our shareholders wealth.

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 2018 were approximately US$48,730,000 and approximately US$70,564,000 respectively (30 June 2018: approximately US$61,390,000 and approximately US$61,575,000). The Group's current ratio at the end of the reporting period was approximately 1.8 (30 June 2018: approximately 1.9). 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 2018, the Group's bank borrowings are short-term loans of approximately US$9,022,000 (30 June 2018: approximately US$13,334,000) which were secured by guarantee or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2018, all assets of certain subsidiaries as floating charges amounted to approximately US$27,299,000 (30 June 2018: approximately US$24,013,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2018, the total cash on hand amounted to approximately US$5,584,000 (30 June 2018: approximately US$8,681,000).

Capital structure

Saved as disclosed below under the section "Significant investments and material acquisitions", there was no other change in the capital structure of the Group for the six months ended 31 December 2018.

Gearing ratio

As at 31 December 2018, the gearing ratio of the Group based on total liabilities over total assets was approximately 46% (30 June 2018: approximately 53%).

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 2018, the segment's revenue was approximately US$26,867,000, representing a decrease of approximately 77% as compared to that of approximately US$116,611,000 in the same period last year. The segment's loss was approximately US$13,814,000 as compared to a profit of approximately US$1,521,000 in the same period last year. We will bring down the inventory level and streamline the operations.

Other brand products

In this same period, the segment's revenue was approximately US$29,103,000 as compared to that of approximately US$37,718,000 in the same period last year. The segment's profit was approximately US$163,000 as compared to a loss of approximately US$416,000 in the same period last year. We will continue to improve the operational efficiency to stay competitive.

Money lending service

During the period under review, revenue from this segment was approximately US$482,000 and the profit from this segment was approximately US$196,000.

Trading business

During the period under review, revenue from this segment was approximately US$4,235,000 and loss from this segment was approximately US$91,000.

Computer software and hardware and system development

During the period under review, revenue from this segment was approximately US$2,103,000 and the profit from this segment was approximately US$11,000.

Significant investments and material acquisitions

On 9 July 2018, Talent Crest (being an indirect wholly owned subsidiary of the Company) as purchaser, Harmonious Miles as vendor and Mr. Wu Chung Man Ronnie as guarantor entered into the Sale and Purchase Agreement pursuant to which Harmonious Miles conditionally agreed to sell and Talent Crest conditionally agreed to acquire the entire issued share capital of Eternal Abundant for a consideration of HK$220,800,000, which was satisfied by Talent Crest by procuring the Company to allot and issue an aggregate of 220,800,000 new shares of the Company. Completion took place on 23 July 2018. Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition.

Saved as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 31 December 2018.

Future Plan for material investments or capital assets

Save as disclosed in this Report, the Group did not have any plan for material investments and/or capital assets as at 31 December 2018.

Staff

As at 31 December 2018, the Group had 242 office staff, representing a 69% increase from 143 office staff since 30 June 2018, 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$6,159,000 for the six months ended 31 December 2018 as compared with that of approximately US$4,292,000 for the corresponding period in the 2017.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2018 (30 June 2018: Nil).

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

As at 31 December 2018, 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 (the "Share(s)") of the Company

Name of company	Name of director	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the company
PINE Technology Holdings Limited	Zhang Sanhuo	Controlled corporation	714,163,680 *(Note 1)*	53.83%

Long positions:

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

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

Notes:

1. These 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 2018, all the issued Shares held by Sage Global were pledged as security for facilities granted to Sage Global.

2. These shares of PINE Technology (BVI) Limited 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 issued 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 Director	Nature of interest	Number of shares held	Approximate percentage of the issued share capital of the company
Zhang Sanhuo	Beneficial owner	16,860,000 *(Note 1)*	1.27%
Chan Cheuk Ho	Beneficial owner	19,260,000 *(Note 2)*	1.45%

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 and 10,860,000 shares at an exercise price of HK$0.46 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 and 13,260,000 shares at an exercise price of HK$0.46 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 ("Pineview Industries"), a subsidiary of the Company as at 31 December 2018. 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 Pineview Industries. In the event of winding up of Pineview Industries, the holders of the deferred shares are entitled to distribution out of the remaining assets of Pineview Industries only after the distribution of HK$1,000 million, as specified in the articles of association of Pineview Industries, to holders of the ordinary shares.

Save as disclosed above, as at 31 December 2018, 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 2018, 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 company
PINE Technology Holdings Limited	Sage Global Holdings Limited	Beneficial owner	714,163,680 *(Note 1)*	Long	53.83%
			714,163,680 *(Note 1)*	Short	53.83%
	South Pearl Ventures Limited	Controlled corporation	714,163,680 *(Note 1)*	Long	53.83%
			714,163,680 *(Note 1)*	Short	53.83%
	Hammer Capital Private Investments Limited	Person having a security interest in shares	714,163,680 *(Note 2)*	Long	53.83%
	Cheung Siu Fai	Controlled corporation	714,163,680 *(Note 2)*	Long	53.83%
	Tsang Ling Kay Rodney	Controlled corporation	714,163,680 *(Note 2)*	Long	53.83%
	Hui Oi Lan	Beneficial owner	110,860,000	Long	8.35%
PINE Technology (BVI) Limited	Simply Perfect Group Limited	Beneficial owner	1,500 *(Note 3)*	Long	15%

Notes:

1. Sage Global beneficially owns 714,163,680 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 2018, all the Shares held by Sage Global were pledged as security for facilities granted to Sage Global.

2. Hammer Capital, a company incorporated in the British Virgin Islands with limited liability, is owned as to 50% by Cheung Siu Fai and Tsang Ling Kay Rodney respectively.

3. 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 2018.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted by the shareholders pursuant to resolutions passed on 22 November 2013 for the purpose of providing incentives or reward to the Directors, eligible employees or any persons who have contributed or may contribute to the Group. The Scheme was amended pursuant to the resolution passed by the Shareholders on 15 November 2018 and the Directors considered that the amendment to the Scheme was in line with Rule 17.04(1) of the Listing Rules. Please refer to the circular of the Company dated 16 October 2018 and the announcement of the Company dated 15 November 2018 for further information in relation to the amendment to the Scheme. Unless otherwise cancelled or amended the Scheme, will expire on 21 November 2023.

Share options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per share option. A share 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 which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors, 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 of the Company dated 12 December 2018, there were 80,140,000 share options granted to certain grantees which included the Directors with an exercise price HK$0.46 per share pursuant to the Scheme. Basis of determining the exercise price of HK$0.46 per share was not less than the highest of: (i) the closing price of HK$0.46 per share as quoted in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of approximately HK$0.46 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK$0.10 per share.

Details of the share options outstanding under the Scheme during the six months ended 31 December 2018 to subscribe for the shares in the Company are as follows:

Grantees	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 2018
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
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	10,860,000
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

Grantees	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 2018
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	13,260,000
Other grantees	consultants	12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	56,020,000

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed under the Scheme during the six months ended 31 December 2018.

For the six months ended 31 December 2018, the Group has recognized approximately US$1,641,000 (31 December 2017: US$391,000) of share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. Throughout the period under review, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and A.4.2, details of which are 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 Sanhuo ("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 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 there is no imminent need to change this structure.

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 Directors subject to retirement by rotation at each annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 9 November 1999 with written terms of reference amended and became effective on 9 January 2019. The Audit Committee comprised the three independent non-executive Directors, namely Mr. So Stephen Hon Cheung (chairman of the Audit Committee), Mr. Zhou Chunsheng and Mr. Tian Hong. The Audit Committee together with the management of the Company have reviewed the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal controls and financial reporting matters (including a review of the Group's unaudited condensed consolidated results for the six months ended 31 December 2018).

SECURITIES TRANSACTIONS BY DIRECTORS

Pursuant to paragraph A.3 in Appendix 10 to the Listing Rules, the Directors were prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results (the "Black-out Period").

As disclosed in the announcement of the Company dated 12 September 2018, the Board was informed by Mr. Zhang, Chairman, executive Director and Chief Executive Officer of the Company, that he has entered into certain margin financing arrangement(s) and certain shares of the Company held by Mr. Zhang were deposited in a margin securities trading account (the "Margin Account") maintained with a securities firm (the "Broker") as collaterals to secure his margin financing (the "Margin Securities"). Mr. Zhang informed the Company that pursuant to the terms and conditions applicable to the Margin Account, the Broker disposed of a total of 1,400,000 Margin Securities, representing approximately 0.1% of the entire issued share capital of the Company, on the market on 7 September 2018 within the Black-out Period (the "Disposal") to settle the outstanding balances owing to the Broker.

The Directors (except Mr. Zhang) considered the Disposal and were satisfied that the Disposal during the Black-out Period was made under exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules, and that the Disposal during the Black-out Period should be allowed.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Save as disclosed above, 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 2018, 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
Zhang Sanhuo
Chairman

Hong Kong, 27 February 2019

As at the date of this report, the executive Directors are Mr. Zhang Sanhuo, Mr. Chan Cheuk Ho and Mr. Chiu Hang Tai; and the independent non-executive Directors are Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong.

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 2019
WWW.PINEGROUP.COM