



PINE TECHNOLOGY  
HOLDINGS LIMITED  
松景科技控股有限公司

(Incorporated in Bermuda with limited liability)  
Stock Code 1079

INTERIM  
REPORT | 2020



## 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 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### Independent Auditors

Zhonghui ANDA CPA Limited

### Legal Advisers

*As to Hong Kong Law:*

Michael Li & Co Solicitors

### Stock Code:

1079

### Website:

[www.pinegroup.com](http://www.pinegroup.com)

## INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2019.

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019

		Six months ended	
		31 December	
		2019	2018
		Unaudited	Unaudited
	Notes	US\$'000	US\$'000
Revenue	3	77,389	62,790
Cost of sales		<u>(82,664)</u>	<u>(67,484)</u>
Gross loss		(5,275)	(4,694)
Other income		358	216
Other gains and losses		(1,351)	(2,053)
Selling and distribution expenses		(1,783)	(1,603)
General and administrative expenses		(5,951)	(7,303)
Finance costs		<u>(213)</u>	<u>(284)</u>
Loss before tax	4	(14,215)	(15,721)
Income tax (expense)/credit	5	<u>(193)</u>	<u>194</u>
Loss for the period		<u><u>(14,408)</u></u>	<u><u>(15,527)</u></u>

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<i>Notes</i>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Other comprehensive loss</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(139)</u>	<u>(480)</u>
Total comprehensive loss for the period	<u><u>(14,547)</u></u>	<u><u>(16,007)</u></u>
Loss for the period attributable to:		
Owners of the Company	<u>(12,221)</u>	<u>(13,736)</u>
Non-controlling interests	<u>(2,187)</u>	<u>(1,791)</u>
	<u><u>(14,408)</u></u>	<u><u>(15,527)</u></u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	<u>(12,339)</u>	<u>(14,166)</u>
Non-controlling interests	<u>(2,208)</u>	<u>(1,841)</u>
	<u><u>(14,547)</u></u>	<u><u>(16,007)</u></u>
Loss per share	6	
Basic and diluted ( <i>US cents</i> )	<u><u>(0.92)</u></u>	<u><u>(1.06)</u></u>

## Condensed Consolidated Statement of Financial Position

At 31 December 2019

		<b>31 December 2019 Unaudited US\$'000</b>	<b>30 June 2019 Audited US\$'000</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		736	829
Right-of-use assets		688	–
Goodwill		7,985	7,985
Intangible asset		12,588	13,328
Interest in a joint venture		–	–
Deposit placed for a life insurance policy		516	505
Contingent consideration		405	405
Rental deposits		21	66
		<u>22,939</u>	<u>23,118</u>
<b>Current assets</b>			
Inventories		16,458	31,752
Trade and other receivables	7	32,615	19,824
Loan receivables	8	9,531	10,043
Contract assets and contract costs		432	625
Contingent consideration		673	673
Tax recoverable		21	25
Bank balances and cash		5,423	6,845
		<u>65,153</u>	<u>69,787</u>
<b>Current liabilities</b>			
Trade and other payables	9	34,951	29,146
Lease liabilities		689	–
Loan from a non-controlling shareholder of a subsidiary		2,261	2,261
Tax payable		327	303
Secured bank borrowings		9,765	6,892
		<u>47,993</u>	<u>38,602</u>
<b>Net current assets</b>		<u>17,160</u>	<u>31,185</u>
<b>Total assets less current liabilities</b>		<u>40,099</u>	<u>54,303</u>

	31 December 2019 Unaudited US\$'000	30 June 2019 Audited US\$'000
<i>Notes</i>		
<b>Non-current liabilities</b>		
Lease liabilities	24	–
Deferred tax liabilities	2,049	2,170
	<u>2,073</u>	<u>2,170</u>
<b>NET ASSETS</b>	<u><b>38,026</b></u>	<u><b>52,133</b></u>
<b>Capital and reserves</b>		
Share capital	17,045	17,045
Reserves	17,056	28,955
	<u>34,101</u>	<u>46,000</u>
Equity attributable to owners of the Company	34,101	46,000
Non-controlling interests	3,925	6,133
	<u>38,026</u>	<u>52,133</u>
<b>TOTAL EQUITY</b>	<u><b>38,026</b></u>	<u><b>52,133</b></u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	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 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)
<b>Other comprehensive loss for the period</b>									
Exchange differences on translation of foreign operations	-	-	-	(430)	-	-	(430)	(50)	(480)
Total comprehensive loss for the period	-	-	-	(430)	-	(13,736)	(14,166)	(1,841)	(16,007)
Recognition of equity-settled share-based payments	-	-	-	-	1,641	-	1,641	-	1,641
Issue of shares	2,831	18,683	-	-	-	-	21,514	-	21,514
<b>At 31 December 2018 (unaudited)</b>	<b>17,045</b>	<b>58,306</b>	<b>2,954</b>	<b>94</b>	<b>2,173</b>	<b>(10,008)</b>	<b>70,564</b>	<b>(810)</b>	<b>69,754</b>
At 1 July 2019 (audited)	17,045	58,306	2,954	263	1,996	(34,564)	46,000	6,133	52,133
Loss for the period	-	-	-	-	-	(12,221)	(12,221)	(2,187)	(14,408)
<b>Other comprehensive loss for the period</b>									
Exchange differences on translation of foreign operations	-	-	-	(118)	-	-	(118)	(21)	(139)
Total comprehensive loss for the period	-	-	-	(118)	-	(12,221)	(12,339)	(2,208)	(14,547)
Recognition of equity-settled share-based payments	-	-	-	-	440	-	440	-	440
<b>At 31 December 2019 (unaudited)</b>	<b>17,045</b>	<b>58,306</b>	<b>2,954</b>	<b>145</b>	<b>2,436</b>	<b>(46,785)</b>	<b>34,101</b>	<b>3,925</b>	<b>38,026</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	Six months ended	
	31 December	
	2019	2018
	Unaudited	Unaudited
	US\$'000	US\$'000
Net cash used in operating activities	(3,576)	(893)
Net cash used in investing activities	(77)	(30)
Net cash generated from/(used in) financing activities	<u>2,278</u>	<u>(2,151)</u>
Net decrease in cash and cash equivalents	(1,375)	(3,074)
Cash and cash equivalents at 1 July	6,845	8,681
Effect of foreign exchange rate changes	<u>(47)</u>	<u>(23)</u>
Cash and cash equivalents at 31 December	<u><u>5,423</u></u>	<u><u>5,584</u></u>



## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2019.

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 30 June 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) effective as of 1 July 2019, as detailed in note 2 below.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited condensed consolidated interim financial statements:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group’s unaudited condensed consolidated interim financial statements. The nature and impact of HKFRS 16 are described below:

## HKFRS 16 “Leases”

### The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases.”

The Group has initially applied HKFRS 16 “Leases” with effect from 1 July 2019 and has taken transitional provisions and methods not to restate comparative information for prior period and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	1 July 2019 Unaudited US\$'000
<b>At 1 July 2019:</b>	
Increase in right-of-use assets	1,096
Increase in lease liabilities	1,096

### 3. 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.

An analysis of the Group’s unaudited revenue and results for the six months ended 31 December 2019 and its comparatives are as follows:

#### 2019

	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	<u>42,408</u>	<u>26,313</u>	<u>553</u>	<u>6,345</u>	<u>1,770</u>	<u>77,389</u>
Segment result	<u>(10,842)</u>	<u>111</u>	<u>386</u>	<u>(122)</u>	<u>(1,764)</u>	<u>(12,231)</u>
Interest income						2
Unallocated corporate expenses						(1,773)
Finance costs						<u>(213)</u>
Loss before tax						<u><u>(14,215)</u></u>

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	<u>26,867</u>	<u>29,103</u>	<u>482</u>	<u>4,235</u>	<u>2,103</u>	<u>62,790</u>
Segment result	<u>(13,814)</u>	<u>163</u>	<u>196</u>	<u>(91)</u>	<u>11</u>	<u>(13,535)</u>
Interest income						4
Unallocated corporate expenses						(1,906)
Finance costs						<u>(284)</u>
Loss before tax						<u>(15,721)</u>

#### 4. LOSS BEFORE TAX

	Six months ended 31 December	
	2019	2018
	Unaudited	Unaudited
	US\$'000	US\$'000
Loss before tax has been arrived at after charging:		
Impairment losses on amount due from a joint venture	113	816
Impairment losses on development costs	56	86
Impairment losses on property, plant and equipment	–	80
Impairment losses on trademarks	6	1
Amortisation of intangible assets	740	645
Depreciation and amortisation	<u>513</u>	<u>132</u>

## 5. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	31 December	
	2019	2018
	Unaudited	Unaudited
	US\$'000	US\$'000
The charge/(credit) comprises:		
– Hong Kong Profits Tax	2	3
– Other jurisdictions	312	(81)
Deferred tax	<u>(121)</u>	<u>(116)</u>
	<u>193</u>	<u>(194)</u>

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

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

## 6. 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	
	2019	2018
	Unaudited	Unaudited
	US\$'000	US\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(12,221)</u>	<u>(13,736)</u>
	'000	'000
<b>Number of Shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,326,702	1,300,302
Effect of dilutive potential ordinary share in respect of outstanding share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,326,702</u>	<u>1,300,302</u>

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.

## 7. 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:

	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>Unaudited</b>	Audited
	<b>US\$'000</b>	US\$'000
1 to 30 days	12,028	9,954
31 to 60 days	9,871	4,679
61 to 90 days	4,749	1,293
Over 90 days	4,386	2,555
	<hr/>	<hr/>
Trade receivables	31,034	18,481
Deposits, prepayments and other receivables	1,581	1,343
	<hr/>	<hr/>
	<b>32,615</b>	<b>19,824</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8. LOAN RECEIVABLES

	<b>31 December</b>	30 June
	<b>2019</b>	2019
	<b>Unaudited</b>	Audited
	<b>US\$'000</b>	US\$'000
Fixed-rate loan receivables	9,531	10,043
	<hr/> <hr/>	<hr/> <hr/>

Unsecured loan receivables carry fixed-rate interest ranging from 12% to 18% per annum and with maturity ranging from three months to one year. 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.

## 9. 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:

	<b>31 December</b> <b>2019</b> <b>Unaudited</b> <b>US\$'000</b>	30 June 2019 Audited US\$'000
1 to 30 days	9,710	5,873
31 to 60 days	2,055	1,419
61 to 90 days	3,495	348
Over 90 days	<u>16,142</u>	<u>17,170</u>
Trade payables	<b>31,402</b>	24,810
Accruals and other payables	<u>3,549</u>	<u>4,336</u>
	<b><u>34,951</u></b>	<b><u>29,146</u></b>





## **INTERIM DIVIDEND**

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The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2019 (31 December 2018: Nil).

## **BUSINESS REVIEW**

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In the first six months of this financial year, the Group's revenue was approximately US\$77,389,000 and gross loss was approximately US\$5,275,000 compared to the same period last year of revenue of approximately US\$62,790,000 and gross loss of approximately US\$4,694,000 respectively. The selling and distribution, and general and administrative expenses were approximately US\$7,734,000. This resulted in a net loss of approximately US\$14,408,000.

### **PC related business**

We had been very aggressive in reducing the inventory level in respect of the PC related business, which had decreased from approximately US\$31,752,000 to approximately US\$16,458,000. As a result, there was an increase in sales of approximately US\$12,751,000, representing an approximate 23% increase compared to the same period last year.

### **Money lending service**

During the six months ended 31 December 2019, the performance of this money lending business segment remained stable. The Directors will continue to adopt a prudent approach and conduct regular reviews of the composition of the loan portfolio and lending rates charged to each customer to maximize the return of this segment as well as diversify the credit risk.

### **Trading business**

The Company indirectly holds 60% equity interest in each of two joint venture trading companies established in the PRC, which underperformed during the first half of the fiscal year. Due to an increase in operating cost and the intensified competitive market condition during the period, there was a drop in the overall segment performance. However, the impact on the Group's overall financial position is considered to be minimal. After careful consideration, the Directors have come to the view that the streamlining of the existing trading business scope and the diversion of our effort towards other businesses would be in the interest of the shareholders of the Company (the "Shareholders") as a whole.

## IT related business

Despite the fact that the computer software and hardware and system development business is one of the major sources of profit for the Group, the overall segment industry was being adversely affected as the trade war between the United States and the PRC has become more protracted than expected. Given the complex geopolitical and ideological backdrop, the continued uncertainty presents big challenges to the global retail supply chain, the demand by the government or private sector in the PRC of those software and hardware systems has appeared slowdown during the first half of the fiscal year.


Looking forward, China UIP Information Technology Co. Ltd., an indirect subsidiary of the Company, shall continue to develop its business from government sectors to commercial sectors by providing solutions to its customers.

## BUSINESS OUTLOOK

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In December 2019, there was a cluster of pneumonia cases being first identified in Wuhan, Hubei Province, the PRC. Investigations found that it was caused by a previously unknown virus now named the novel coronavirus (COVID-19) epidemic (“Epidemic”), of which further cases being reported for spreading in the nation and other countries. As the situation evolves, the World Health Organization has declared the Epidemic a global health emergency. The knock-on effects of the Epidemic could potentially affect the PRC’s economy as the uncertainty over the duration of the outbreak and the quarantine measures continues, which could be in result of dampening growth prospects from Southeast Asia to South America and beyond.

Numerous provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Epidemic, including imposing restrictions on resumption date of production after the Chinese New Year holidays, in response to the arisen Epidemic outbreak. The Group’s factory situated in Dongguan, Guangdong Province for the PC related business (the “Factory”) has, after around four weeks’ production halt, gradually resumed production in February 2020, after the Chinese New Year holidays and the suspension period prescribed by the relevant government authority in the PRC. Furthermore, due to the suspension or limited service of transportation facilities in certain areas, certain employees in the affected areas are unable to return to the Factory. It is expected that the Factory will experience delay in resuming their original production schedules and there will be late delivery of products during the second half of the fiscal year. Despite the drastic measures, we will stay flexible and maintain conservative attitude towards this segment by keeping up with the initially planned schedules and expected product delivery plans and continuing to focus on bringing down the operation costs and stock level.



In view of the money lending business shall remain positive with profitable business potential in the second half of the fiscal year, the Directors expect that the money lending business segment will become one of the Group's stable income sources and management shall put efforts to maintain a healthy cash flow by adopting a prudent approach. The management will continue to pay close attention to the development of this business segment and promptly react to the demand in the market.

With respect to the computer software and hardware and system development business, this segment is also facing similar business operational challenges in the PRC due to the Epidemic. Certain employees in this segment have not reported for duties due to the suspension or limited service of transportation facilities in certain areas in the PRC, or the implementation of 14-day mandatory quarantine measures. Meanwhile, certain customers also imposed prohibition and limited access to our employees from carrying out the onsite work, which has impeded the progress of certain projects. The prevention measures of the Epidemic also adversely affect the approval procedures by relevant authorities and will likely cause delay in meeting the initially planned schedules during the second half of the fiscal year. However, the shortage of employees and the prolonged approval procedures as a result of the administrative measures is expected to be temporary. Amidst such special circumstances, the Group will use its best endeavours to allocate more resources to this segment as the Directors consider that the demand by the government or private sector in the PRC of those software and hardware systems will keep growing in the future. On the other hand, the management will closely monitor the effect on the PRC economy which may arise from the trade war between the PRC and the United States. It is anticipated that the computer software and hardware and system development business will face big challenges in the second half of the fiscal year.

Taking into account both domestic and worldwide circumstances in public health, social, political and economic affairs, the Group has suffered multiple challenges overall during the period of the fiscal year. The potential impact on the businesses of the Group, which is beyond control of the Group, may negatively affect the financial results of the Group for the second half of the fiscal year amid the on-going development of the Epidemic. However, the Group believes that relevant government authorities have proactively taken comprehensive and stringent prevention and control measures to contain the spread of the Epidemic, and these measures are showing results gradually. The Directors will closely monitor the Group's exposure to the risk and uncertainties and take necessary actions to minimise the impact of the business operations and financial performances to the Group in response to the arisen Epidemic. The Directors will also take appropriate measures as necessary by accessing the market conditions and may consider to change its corporate strategy from time to time.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Group's financial position

The Group's net current assets and equity attributable to owners of the Company as at 31 December 2019 were approximately US\$17,160,000 and approximately US\$34,101,000 respectively (30 June 2019: approximately US\$31,185,000 and approximately US\$46,000,000). The Group's current ratio at the end of the reporting period was approximately 1.4 (30 June 2019: approximately 1.8). 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 charges on group assets

As at 31 December 2019, the Group's bank borrowings are short-term loans of approximately US\$9,765,000 (30 June 2019: approximately US\$6,892,000) which were secured by guarantee or by all assets of certain subsidiaries as floating charges to banks.

As at 31 December 2019, all assets of certain subsidiaries as floating charges amounted to approximately US\$27,222,000 (30 June 2019: approximately US\$24,331,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2019, the total cash on hand amounted to approximately US\$5,423,000 (30 June 2019: approximately US\$6,845,000).

### Capital structure

The Group's overall treasury policies are prudent, with a focus on risk management.

### Gearing ratio

As at 31 December 2019, the gearing ratio of the Group based on total liabilities over total assets was approximately 57% (30 June 2019: approximately 44%).

## Currency 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, Canadian dollars, and Renminbi. For the settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that was 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 minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies.

## Segment Information

### *Group's brand products*

For the six months ended 31 December 2019, the segment's revenue was approximately US\$42,408,000, representing an approximate 58% increase compared to that of approximately US\$26,867,000 in the same period last year. The segment's loss was approximately US\$10,842,000 as compared to a loss of approximately US\$13,814,000 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\$26,313,000 as compared to that of approximately US\$29,103,000 in the same period last year. The segment's profit was approximately US\$111,000 as compared to a profit of approximately US\$163,000 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, the segment's revenue was approximately US\$553,000, representing an approximate 15% increase compared to that of approximately US\$482,000 in the same period last year. The segment's profit was approximately US\$386,000, representing an approximate 97% increase compared to that of approximately US\$196,000 in the same period last year.

We will continue to operate the money lending business on a very conservative basis.

### *Trading business*

During the period under review, the segment's revenue was approximately US\$6,345,000, representing an approximate 50% increase compared to that of approximately US\$4,235,000 in the same period last year. The segment's loss was approximately US\$122,000 as compared to a loss of approximately US\$91,000 in the same period last year.

After careful consideration, the Directors have come to the view that the streamlining of the existing trading business and the diversion of our effort towards other businesses would be in the interest of the Shareholders as a whole.

### *Computer software and hardware and system development*

During the period under review, the segment's revenue was approximately US\$1,770,000, representing an approximate 16% decrease compared to that of approximately US\$2,103,000 in the same period last year. The segment's loss was approximately US\$1,764,000 as compared to a profit of approximately US\$11,000 in the same period last year.

The prolonged slowdown in the PRC economy arising from the trade war between the PRC and the United States had a negative impact on our business during the period under review. The revenue of the segment was mainly generated from our customers in the PRC. In light of the forthcoming decline in economic growth in the near future, their motivation to acquire new software or hardware, upgrade their existing system and/or employ new development program would be adversely affected. The segment therefore recorded unsatisfactory results. We will continue to closely monitor the operation of the computer software and hardware and system development business.

### **Significant investments and material acquisitions and/or disposals**

There were no significant investments held by the Group, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 31 December 2019.

### **Future plan for material investments and material acquisitions and/or disposals**

The Group did not have any plan for material investments and/or material acquisitions and/or disposals as at 31 December 2019.



## Employees

As at 31 December 2019, the Group had 199 employees, representing an approximate 11% decrease from 224 employees as at 30 June 2019, 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\$4,452,000 for the six months ended 31 December 2019 as compared with that of approximately US\$6,159,000 for the corresponding period in the 2018.

## Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2019 (30 June 2019: Nil).

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

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As at 31 December 2019, 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 Appendix 10 to 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 US\$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	1,650 (Note 2)	15%

### Notes:

1. These underlying 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, an executive Director, the chairman and chief executive officer of the Company. As at 31 December 2019, all the issued Shares held by Sage Global were pledged as security for facilities granted to Sage Global.
2. These underlying 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 of Company. Mr. Chiu Hang Tai is deemed to be interested in the shares held by Simply Perfect by virtue of the SFO.



## Long positions in the underlying Shares:

Name of director	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Sanhuo	Beneficial owner	16,860,000 (Note 1)	1.27%
Mr. Chan Cheuk Ho	Beneficial owner	19,260,000 (Note 2)	1.45%

### Notes:

- These underlying shares are held by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company, 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.
- 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 his wife, Madam Leung Sin Mei, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited (“Pineview Industries”), a subsidiary of the Company as at 31 December 2019. 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 2019, 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 2019, 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	Capacity	Number of issued shares held	Position	Approximate percentage of the issued share capital of the Company
PINE Technology Holdings Limited	Sage Global	Beneficial owner	714,163,680 (Note 1)	Long	53.83%
			714,163,680 (Note 1)	Short	53.83%
	South Pearl	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	110,400,000	Long	8.32%	
PINE Technology (BVI) Limited	Simply Perfect	Beneficial owner	1,650 (Note 3)	Long	15%

### Notes:

- 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, the chairman and chief executive officer of the Company. As at 31 December 2019, all the Shares held by Sage Global were pledged as security for facilities granted to Sage Global.
- Hammer Capital Private Investments Limited, a company incorporated in the BVI with limited liability, is owned as to 50% by Mr. Cheung Siu Fai and 50% by Mr. Tsang Ling Kay Rodney, respectively.
- 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.

Save 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 2019.



## SHARE OPTION SCHEME

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The Company's share option scheme (the "Share Option Scheme") was adopted by the Shareholders pursuant to a resolution 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 Share Option Scheme was amended pursuant to the resolution passed by the Shareholders on 15 November 2018 and the Directors considered that the amendment to the Share Option 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 Share Option Scheme. Unless otherwise cancelled or amended the Share Option 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 Share Option Scheme at any time during the respective effective period of the Share Option 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 5 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 (the "Grantees") which included the Directors with an exercise price HK\$0.46 per share pursuant to the Share Option Scheme (the "Share Options 2018"). 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 5 business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.10 per share.

As disclosed in the announcement of the Company dated 26 June 2019, taking into account that the exercise price of the Share Options 2018 was higher than the then market price of the Shares, the Board considered that the Share Options 2018 could no longer serve the purpose of providing incentives or rewards to the Grantees thereof. As approved by the Board (including the independent non-executive Directors) and consented by certain Grantees (the "Relevant Grantees"), an aggregate of 19,500,000 Shares Options (the "Relevant Options") granted to the Relevant Grantees were cancelled with effect from 26 June 2019 in accordance with the terms of the Share Option Scheme. No compensation was payable to the Relevant Grantees for cancellation of the Relevant Options.

On 28 November 2019, an ordinary resolution was duly passed by the Shareholders at an annual general meeting of the Company, approving, inter alia, the refreshment of the scheme mandate limit under the Share Option Scheme. Upon the refreshment of the scheme mandate limit, the Company may grant share options entitling holders thereof to subscribe for up to a maximum number of 132,670,173 Shares, representing approximately 10% of the number of issued Shares as at the date of the annual general meeting. Please refer to the circular of the Company dated 29 October 2019 and the announcement of the Company dated 28 November 2019 for further details of the refreshment of the scheme mandate limit.

Details of the share options outstanding under the Share Option Scheme during the six months ended 31 December 2019 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 2019
Mr. Zhang Sanhuo	Chairman and Chief Executive Officer	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

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 2019
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
		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	36,520,000

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 31 December 2019.

For the six months ended 31 December 2019, the Group has recognized approximately US\$440,000 (31 December 2018: US\$1,641,000) of share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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The Company has applied the principles as set out with the code provisions 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 of the CG Code, details of which are explained below.

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Mr. Zhang Sanhuo is the Chairman and the Chief Executive Officer from 3 January 2018, it constituted a deviation from code provision A.2.1 of the CG Code since 3 January 2018. The positions of the Chairman and Chief Executive Officer of the Company are held by Mr. Zhang Sanhuo who has extensive knowledge about the management. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Under code provision A.4.2 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. Save for Mr. Chiu Hang Tai, all Directors, including the independent non-executive Directors, are appointed for a fixed term of two years. Under the Bye-laws 111 and 114 of the Company, one-third of the Directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, are subject to retirement by rotation and re-election at annual general meeting of the Company. New Directors appointed by the Board to fill a casual vacancy during any year are required to retire and submit themselves for election at the first general meeting immediately following their appointments. Notwithstanding the provisions of the Company’s Bye-laws, the Company intends to comply with the code provision A.4.2 of the CG Code by way of having one-third of all the Directors, including those appointed for a specific term, subject to retirement by rotation at each annual general meeting at least once every three years.



## **AUDIT COMMITTEE**

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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 2019).

## **SECURITIES TRANSACTIONS BY DIRECTORS**

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The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. 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**

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During the six months ended 31 December 2019, neither the Company nor any of this subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 27 February 2020

*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.*