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PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1079)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

The board of the directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”), is pleased to present the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2013.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31 December 2013

		Six months ended	
		31 December	
		2013	2012
		Unaudited	Unaudited
		US\$'000	US\$'000
	<i>Notes</i>		
Turnover	2	119,364	100,833
Cost of sales		(109,399)	(90,212)
Gross profit		9,965	10,621
Other income		132	67
Selling and distribution expenses		(2,547)	(3,549)
General and administrative expenses		(6,667)	(7,095)
Other gains and losses		(2)	628
Finance costs		(482)	(508)
Profit before tax	3	399	164
Income tax expense	4	(100)	(39)
Profit for the period		299	125

* *for identification purposes only*

		Six months ended	
		31 December	
		2013	2012
		Unaudited	Unaudited
		US\$'000	US\$'000
<i>Note</i>			
Other comprehensive income (expense)			
Items that may be reclassified subsequently			
to profit or loss:			
Exchange differences arising on translation			
of foreign operations		85	(55)
Fair value gain on available-for-sale investments		91	–
		<u>176</u>	<u>(55)</u>
Other comprehensive income (expense) for the period			
		<u>475</u>	<u>70</u>
Earnings per share			
– Basic (US cents)	5	0.032	0.014
		<u>0.032</u>	<u>0.014</u>
– Diluted (US cents)		0.032	0.014
		<u>0.032</u>	<u>0.014</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		31 December 2013 Unaudited US\$ '000	30 June 2013 Audited US\$ '000
	Notes		
Non-current assets			
Property, plant and equipment		5,670	6,136
Development costs		558	792
Trademarks		302	294
Available-for-sale investments		49	134
Deposit placed for a life insurance policy		406	400
Rental deposit		106	103
		<u>7,091</u>	<u>7,859</u>
Current assets			
Inventories		52,360	59,498
Trade, bills and other receivables	6	57,168	50,332
Tax recoverable		2	15
Pledged bank deposits		2,696	2,691
Bank balances and cash		9,759	8,626
		<u>121,985</u>	<u>121,162</u>
Current liabilities			
Trade, bills and other payables	7	24,924	24,616
Tax payable		1,303	1,479
Obligations under finance leases		6	14
Bank borrowings		28,401	28,926
		<u>54,634</u>	<u>55,035</u>
Net current assets		<u>67,351</u>	<u>66,127</u>
		<u>74,442</u>	<u>73,986</u>
Capital and reserves			
Share capital		11,851	11,844
Share premium and reserves		60,318	59,831
Total equity		<u>72,169</u>	<u>71,675</u>
Non-current liabilities			
Obligations under finance leases		73	65
Bank borrowings		2,200	2,246
		<u>2,273</u>	<u>2,311</u>
		<u>74,442</u>	<u>73,986</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Share capital US\$'000	Share premium account US\$'000	Surplus account US\$'000	Exchange reserve US\$'000	Capital reserve US\$'000	Investments revaluation reserve US\$'000	Share option reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 July 2012 (audited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>3,644</u>	<u>63</u>	<u>(153)</u>	<u>391</u>	<u>25,688</u>	<u>71,494</u>
Other comprehensive expense for the period	–	–	–	(55)	–	–	–	–	(55)
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>125</u>	<u>125</u>
Total comprehensive (expense) income for the period	–	–	–	(55)	–	–	–	125	70
Recognition of equity-settled share-based payment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4</u>	<u>–</u>	<u>4</u>
At 31 December 2012 (unaudited)	<u><u>11,844</u></u>	<u><u>27,063</u></u>	<u><u>2,954</u></u>	<u><u>3,589</u></u>	<u><u>63</u></u>	<u><u>(153)</u></u>	<u><u>395</u></u>	<u><u>25,813</u></u>	<u><u>71,568</u></u>
At 1 July 2013 (audited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>1,698</u>	–	(89)	224	27,981	71,675
Other comprehensive income for the period	–	–	–	85	–	91	–	–	176
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>299</u>	<u>299</u>
Total comprehensive income for the period	–	–	–	85	–	91	–	299	475
Issue of shares under share option scheme	<u>7</u>	<u>18</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6)</u>	<u>–</u>	<u>19</u>
At 31 December 2013 (unaudited)	<u><u>11,851</u></u>	<u><u>27,081</u></u>	<u><u>2,954</u></u>	<u><u>1,783</u></u>	<u><u>–</u></u>	<u><u>2</u></u>	<u><u>218</u></u>	<u><u>28,280</u></u>	<u><u>72,169</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Six months ended	
	31 December	
	2013	2012
	Unaudited	Unaudited
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash from operating activities	1,347	2,095
Net cash used in investing activities	(299)	(667)
Net cash from (used in) financing activities	49	(3,832)
Net increase (decrease) in cash and cash equivalents	1,097	(2,404)
Cash and cash equivalents at 1 July	8,626	12,636
Effect of foreign exchange rate changes	36	34
Cash and cash equivalents at 31 December	9,759	10,266

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 (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and method of computation used in the preparation of condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013, except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

2. Segment information

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

An analysis of the Group's unaudited revenue and results for the six months ended 31 December 2013 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2013	2012	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Turnover						
External sales	<u>52,073</u>	<u>59,100</u>	<u>67,291</u>	<u>41,733</u>	<u>119,364</u>	<u>100,833</u>
Result						
Segment result	<u>701</u>	<u>713</u>	<u>626</u>	<u>460</u>	<u>1,327</u>	<u>1,173</u>
Interest Income					5	15
Unallocated corporate expenses					(451)	(516)
Finance costs					(482)	(508)
Profit before tax					<u>399</u>	<u>164</u>

3. Profit before tax

	Six months ended	
	31 December	
	2013	2012
	Unaudited	Unaudited
	US\$'000	US\$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation and amortisation	1,093	1,797
Gain on disposal of available-for-sale investments	<u>(66)</u>	<u>—</u>

4. Income tax expense

	Six months ended	
	31 December	
	2013	2012
	Unaudited	Unaudited
	US\$'000	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	3	3
– Taxation arising in other jurisdictions	<u>97</u>	<u>36</u>
	<u>100</u>	<u>39</u>

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

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

5. Earnings per share

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

	Six months ended	
	31 December	
	2013	2012
	Unaudited	Unaudited
	US\$'000	US\$'000
Earning for the purpose of:		
basic and diluted earnings per share	299	125
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	921,415	920,984
Effect of dilutive potential ordinary share in respect of:		
– Share options	96	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	921,511	920,984

During the six months ended 31 December 2012, the calculation of diluted earnings per share does not assume the exercise of the Company's outstanding share option as the exercise price of those share option is higher than the average market price of the period.

6. Trade, bills and other receivables

The Group allows a credit period of 1 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debt, presented based on the invoice date at the end of the reporting period:

	31 December	30 June
	2013	2013
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	22,452	19,138
31 to 60 days	11,723	10,581
61 to 90 days	8,416	5,097
Over 90 days	13,714	13,637
Trade and bills receivables	56,305	48,453
Deposits, prepayments and other receivables	863	1,879
	57,168	50,332

7. Trade, bills and other payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31 December	30 June
	2013	2013
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	12,063	9,876
31 to 60 days	5,293	5,615
61 to 90 days	1,421	2,602
Over 90 days	1,290	1,774
Trade and bills payables	20,067	19,867
Deposits in advance, accruals and other payables	4,857	4,749
	24,924	24,616

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

BUSINESS REVIEW

Business in the first 6 months was a mixed result. We saw some strength in the Distribution business and some weakness in the XFX business. As a result, there is a gain of the overall turnover but a drop of the gross profit and margin.

The turnover of the Group in first half year was US\$119,364,000, a 18% increase from the same period last year. Gross profit was US\$9,965,000, a 6 % drop. Gross margin was 8.3 %.

With the mandate to bring down the inventory level and prepare for the launch of the R series by AMD in October, we took an aggressive approach to discount existing inventory. We successfully reduced the inventory to US\$52,360,000 compared to US\$59,498,000 six months ago. However, it also caused a drop in gross profit and margin.

At the same time, we continued to decrease the overhead through continuous improvement in operational efficiency. Our total operation expenses, not including finance costs, were reduced to US\$9,214,000 from US\$10,644,000 in the same period last year.

For the six months ended 31 December 2013, we made a profit of US\$299,000. Cash on hand was US\$9,759,000 as at 31 December 2013.

Business Outlook

Even though second half is usually a slower period, we are cautiously optimistic for the next 6 months' business as we see a strong demand on the new AMD's R series products.

We also expect the Distribution business to be stable in the second half.

We will continue to work through the inventory level and to improve the business efficiency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2013, the Group's borrowings comprised short-term loans of US\$28,401,000 (30 June 2013: US\$28,926,000) and long-term loans of US\$2,200,000 (30 June 2013: US\$2,246,000). The aggregate borrowings US\$30,601,000 (30 June 2013: US\$31,172,000) were secured by pledged bank deposits and deposit placed for a life insurance policy or by all assets of certain subsidiaries as floating or fixed charges to banks.

As at 31 December 2013, total pledged deposits and all assets of certain subsidiaries as floating or fixed charges were amounted US\$3,102,000 and US\$42,597,000 respectively (30 June 2013: US\$3,091,000 and US\$38,638,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2013, the total cash on hand amounted US\$9,759,000 (30 June 2013: US\$8,626,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2013, as compared with that as at 30 June 2013.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2013.

Staff

As at 31 December 2013, the Group had 228 office staff, a 6% decrease from 243 office staff since June 2013, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was approximately US\$4.4 million for the six months period ended 31 December 2013 as compared with that of approximately US\$4.4 million for the corresponding period in the 2012.

Gearing ratio

As at 31 December 2013, the gearing ratio of the Group based on total liabilities over total assets was approximately 44%. (30 June 2013: approximately 44%).

Exchange risk

During the period under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars and Canadian dollars. For settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that were principally denominated in US dollars and Canadian dollars. The unsecured risk will be foreign currency payables and loan exceeds its foreign currency revenue. During the 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.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2013. (30 June 2013: Nil).

Segment Information

Group brand products

For the six months ended 31 December 2013, the segment's turnover was US\$52,073,000, compared to US\$59,100,000 in the same corresponding period last year. The profit was US\$701,000 compared to US\$713,000 last year. We expect a more robust business in second half.

Other brand products

In the same period, this segment's turnover was US\$67,291,000 compared to US\$41,733,000 last year; and the profit was US\$626,000 compared to US\$460,000 in the same period last year. We will continue to broaden the non-PC product offerings to complement the PC business.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the period, except for the deviations from Code Provision A.2.1 and A.4.2, details of which will be explained below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chiu Hang Tai assumes the role of both the Chairman and the Chief Executive Officer of the Group. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-

executive directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws provides that one-third of the directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, shall retire from office by rotation at each annual general meeting. Notwithstanding the provisions of the Company's Bye-laws, the Company intends to comply with the Code Provision A.4.2 by way of having one-third of all the Company's directors subject to retirement by rotation at each annual general meeting.

Code Provision A6.7 stipulates non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chiu Herbert H T, non-executive director of the company, was absent from the annual general meeting of the company held on 22 November 2013 due to other business commitment.

AUDIT COMMITTEE

The Company established an audit committee on 9 November 1999 with written terms of reference. The audit committee comprised the three Independent Non-executive Directors, namely Messrs. Li Chi Chung, So Stephen Hon Cheung and Dr. Huang Zhijian. The audit committee has reviewed the draft of this announcement and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules of the Stock Exchange. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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

Hong Kong, 12 February 2014

As at the date of this announcement, executive directors are Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin. Non-executive director is Mr. Chiu Herbert H T. Independent non-executive directors are Mr. Li Chi Chung, Mr. So Stephen Hon Cheung and Dr. Huang Zhijian.