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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 2014

The board of directors (the “Directors”) of PINE Technology Holdings Limited (the “Company”), is pleased to present the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		Six months ended	
		31 December	
		2014	2013
		Unaudited	Unaudited
		US\$'000	US\$'000
	<i>Notes</i>		
Turnover	2	92,418	119,364
Cost of sales		(86,330)	(109,399)
Gross profit		6,088	9,965
Other income		23	132
Selling and distribution expenses		(2,123)	(2,547)
General and administrative expenses		(5,905)	(6,667)
Other gains and losses		91	(2)
Finance costs		(451)	(482)
(Loss) profit before tax	3	(2,277)	399
Income tax expense	4	(101)	(100)
(Loss) profit for the period		(2,378)	299

* for identification purposes only

		Six months ended	
		31 December	
		2014	2013
		Unaudited	Unaudited
		US\$'000	US\$'000
	<i>Notes</i>		
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(254)	85
Fair value gain on available-for-sale investments		—	91
Other comprehensive (expense) income for the period		(254)	176
Total comprehensive (expense) income for the period		<u>(2,632)</u>	<u>475</u>
(Loss) earnings per share	5		
– Basic (US cents)		<u>(0.26)</u>	<u>0.032</u>
– Diluted (US cents)		<u>(0.26)</u>	<u>0.032</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		31 December 2014 Unaudited US\$'000	30 June 2014 Audited US\$'000
	Notes		
Non-current assets			
Property, plant and equipment		4,918	5,191
Development costs		156	219
Trademarks		292	290
Deposit placed for a life insurance policy		420	413
Rental deposit		58	101
		<u>5,844</u>	<u>6,214</u>
Current assets			
Inventories		51,232	56,274
Trade, bills and other receivables	6	50,879	44,737
Tax recoverable		41	4
Pledged bank deposits		2,707	2,702
Bank balances and cash		3,886	9,363
		<u>108,745</u>	<u>113,080</u>
Current liabilities			
Trade, bills and other payables	7	14,686	14,870
Tax payable		1,393	1,344
Obligations under finance leases		6	13
Bank borrowings		26,275	28,158
		<u>42,360</u>	<u>44,385</u>
Net current assets		<u>66,385</u>	<u>68,695</u>
		<u>72,229</u>	<u>74,909</u>
Capital and reserves			
Share capital		11,851	11,851
Share premium and reserves		58,176	60,808
Total equity		<u>70,027</u>	<u>72,659</u>
Non-current liabilities			
Obligations under finance leases		52	51
Bank borrowings		2,150	2,199
		<u>2,202</u>	<u>2,250</u>
		<u>72,229</u>	<u>74,909</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2014

	Share capital US\$'000	Share premium 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 2013 (audited)	11,844	27,063	2,954	1,698	–	(89)	224	27,981	71,675
Other comprehensive income for the period	–	–	–	85	–	91	–	–	176
Profit for the period	–	–	–	–	–	–	–	299	299
Total comprehensive income for the period	–	–	–	85	–	91	–	299	475
Issue of shares under share option schemes	7	18	–	–	–	–	(6)	–	19
At 31 December 2013 (unaudited)	<u>11,851</u>	<u>27,081</u>	<u>2,954</u>	<u>1,783</u>	<u>–</u>	<u>2</u>	<u>218</u>	<u>28,280</u>	<u>72,169</u>
At 1 July 2014 (audited)	11,851	27,083	2,954	1,764	–	–	14	28,993	72,659
Other comprehensive expense for the period	–	–	–	(254)	–	–	–	–	(254)
Loss for the period	–	–	–	–	–	–	–	(2,378)	(2,378)
Total comprehensive expense for the period	–	–	–	(254)	–	–	–	(2,378)	(2,632)
At 31 December 2014 (unaudited)	<u>11,851</u>	<u>27,083</u>	<u>2,954</u>	<u>1,510</u>	<u>–</u>	<u>–</u>	<u>14</u>	<u>26,615</u>	<u>70,027</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Six months ended	
	31 December	
	2014	2013
	Unaudited	Unaudited
	US\$'000	US\$'000
Net cash (used in) from operating activities	(3,609)	1,347
Net cash used in investing activities	(144)	(299)
Net cash (used in) from financing activities	(1,938)	49
Net (decrease) increase in cash and cash equivalents	(5,691)	1,097
Cash and cash equivalents at 1 July	9,363	8,626
Effect of foreign exchange rate changes	214	36
Cash and cash equivalents at 31 December	3,886	9,759

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 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 2014, 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 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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 turnover and results for the six months ended 31 December 2014 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2014	2013	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Turnover						
External sales	<u>43,782</u>	<u>52,073</u>	<u>48,636</u>	<u>67,291</u>	<u>92,418</u>	<u>119,364</u>
Result						
Segment result	<u>(1,846)</u>	<u>701</u>	<u>483</u>	<u>626</u>	<u>(1,363)</u>	<u>1,327</u>
Interest Income					6	5
Unallocated corporate expenses					(469)	(451)
Finance costs					<u>(451)</u>	<u>(482)</u>
(Loss) profit before tax					<u>(2,277)</u>	<u>399</u>

3. (Loss) profit before tax

Six months ended	
31 December	
2014	2013
Unaudited	Unaudited
US\$'000	US\$'000

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

Depreciation and amortisation	472	1,093
Gain on disposal of available-for-sale investments	<u>—</u>	<u>(66)</u>

4. Income tax expense

Six months ended	
31 December	
2014	2013
Unaudited	Unaudited
US\$'000	US\$'000

The charge comprises:

– Hong Kong Profits Tax	3	3
–Taxation arising in other jurisdictions	<u>98</u>	<u>97</u>
	<u>101</u>	<u>100</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. (Loss) earnings per share

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

	Six months ended	
	31 December	
	2014	2013
	Unaudited	Unaudited
	US\$'000	US\$'000
(Loss) earnings for the purpose of:		
basic and diluted earnings per share	(2,378)	299
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	921,585	921,415
Effect of dilutive potential ordinary share in respect of:		
– Share options	N/A	96
Weighted average number of ordinary shares for the purpose of diluted earnings per share	921,585	921,511

The calculation of diluted loss per share does not assume the exercise of the Company's share options as the exercise of the share options would result in a reduction in loss per share for the six months ended 31 December 2014.

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
	2014	2014
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	17,865	14,331
31 to 60 days	9,951	7,692
61 to 90 days	6,586	5,428
Over 90 days	15,754	16,328
Trade and bills receivables	50,156	43,779
Deposits, prepayments and other receivables	723	958
	50,879	44,737

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
	2014	2014
	Unaudited	Audited
	US\$'000	US\$'000
1 to 30 days	4,451	4,237
31 to 60 days	2,765	2,027
61 to 90 days	2,719	2,446
Over 90 days	1,495	2,818
Trade and bills payables	11,430	11,528
Deposits in advance, accruals and other payables	3,256	3,342
	14,686	14,870

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

Business in the first 6 months was slow. The Group's revenue was US\$92,418,000 and gross profit was US\$6,088,000 compared to US\$119,364,000 revenue and US\$9,965,000 gross profit from the same period last year.

Both of the XFX business and Distribution business dropped in this period. The drop is due to the sluggishness of the overall PC business and the delay in new product launch to mid 2015. As a result, the group incurred a loss of US\$2,378,000 compared to US\$299,000 profit from the same period last year.

BUSINESS OUTLOOK

Business for second half of the year will remain soft. We will work on reducing existing inventory to prepare for the new product launch, and continue to work on the operational efficiency to improve the bottom line. The outlook will be positive again when we start to launch the new products.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2014, the Group's borrowings comprised short-term loans of US\$26,275,000 (30 June 2014: US\$28,158,000) and long-term loans of US\$2,150,000 (30 June 2014: US\$2,199,000). The aggregate borrowings US\$28,425,000 (30 June 2014: US\$30,357,000) were secured by pledged bank deposits and deposit placed with an insurance company or by all assets of certain subsidiaries as floating or fixed charges to banks.

As at 31 December 2014, total pledged deposits and all assets of certain subsidiaries as floating or fixed charges were amounted US\$3,127,000 and US\$33,456,000 respectively (30 June 2014: US\$3,115,000 and US\$34,313,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2014, the total cash on hand amounted US\$3,886,000 (30 June 2014: US\$9,363,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2014, as compared with that as at 30 June 2014.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2014.

Staff

As at 31 December 2014, the Group had 198 office staff, a 12% decrease from 225 office staff since June 2014, 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 US\$4,045,000 for the six months period ended 31 December 2014 as compared with that of approximately US\$4,443,000 for the corresponding period in the 2013.

Gearing ratio

As at 31 December 2014, the gearing ratio of the Group based on total liabilities over total assets was approximately 39% (30 June 2014: approximately 39%).

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.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014. (30 June 2014: Nil)

Segment Information

Group brand products

For the six months period ended 31 December 2014, the segment's turnover was US\$43,782,000, compared to US\$52,073,000 from the same period last year. It incurred a loss of US\$1,846,000 compared to a profit of US\$701,000 from last year. We expect a better result when the new products are launched in mid year 2015.

Other brand products

In this same period, the segment's revenue was US\$48,636,000 compared to US\$67,291,000 from last year. Profit was US\$483,000 versus US\$626,000 from 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.

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 2014, 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, 13 February 2015

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.