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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 2011**

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 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011

		Unaudited	
		Six months ended	
		31 December	
		2011	2010
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	2	114,966	150,219
Cost of sales		(103,408)	(134,995)
Gross profit		11,558	15,224
Other income		342	11
Selling and distribution expenses		(3,174)	(4,235)
General and administrative expenses		(10,553)	(10,572)
Other gains and losses		579	1,058
Finance costs		(381)	(524)
(Loss) profit before tax	3	(1,629)	962
Income tax expense	4	(231)	(131)
(Loss) profit for the period		<u>(1,860)</u>	<u>831</u>

* *for identification purposes only*

		Unaudited	
		Six months ended	
		31 December	
		2011	2010
<i>Notes</i>		<i>US\$'000</i>	<i>US\$'000</i>
Other comprehensive income (expense):			
	Exchange differences arising on translation of foreign operations	312	636
	Fair value gain (loss) on available-for-sale investments	14	(179)
	Other comprehensive income for the period	326	457
	Total comprehensive (expense) income for the period	(1,534)	1,288
	(Loss) earnings per share		
	– Basic (US cents)	(0.202)	0.090
	– Diluted (US cents)	N/A	0.090

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

		(Unaudited) 31 December 2011 US\$ '000	(Audited) 30 June 2011 US\$ '000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		9,170	10,386
Development costs		1,355	1,766
Trademarks		182	185
Available-for-sale investments		115	102
Pledged deposit placed at an insurance company		400	–
		<u>11,222</u>	<u>12,439</u>
Current assets			
Inventories		47,840	45,847
Trade and other receivables	6	56,456	47,683
Tax recoverable		1,323	1,371
Pledged bank deposits		2,888	3,284
Bank balances and cash		11,123	10,310
		<u>119,630</u>	<u>108,495</u>
Current liabilities			
Trade and other payables	7	27,199	16,507
Tax payable		1,313	1,366
Obligations under finance leases		2	3
Bank borrowings		26,870	26,016
		<u>55,384</u>	<u>43,892</u>
Net current assets		<u>64,246</u>	<u>64,603</u>
		<u>75,468</u>	<u>77,042</u>
Capital and reserves			
Share capital		11,844	11,844
Share premium and reserves		61,190	62,720
Total equity		<u>73,034</u>	<u>74,564</u>
Non-current liabilities			
Obligations under finance leases		3	4
Bank borrowings		2,301	2,344
Deferred taxation		130	130
		<u>2,434</u>	<u>2,478</u>
		<u>75,468</u>	<u>77,042</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2011

	Share capital <i>US\$'000</i>	Share premium <i>US\$'000</i>	Surplus account <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Capital reserve <i>US\$'000</i>	Investments revaluation reserve <i>US\$'000</i>	Share options reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 July 2010 (audited)	11,934	27,159	2,954	2,785	63	119	478	35,291	80,783
Other comprehensive income for the period	–	–	–	636	–	(179)	–	–	457
Profit for the period	–	–	–	–	–	–	–	831	831
Total comprehensive income for the period	–	–	–	636	–	(179)	–	831	1,288
Share options exercised	25	56	–	–	–	–	(30)	–	51
Share repurchased and cancelled	(115)	(152)	–	–	–	–	–	–	(267)
Dividend paid	–	–	–	–	–	–	–	(1,181)	(1,181)
Recognition of share- based payment	–	–	–	–	–	–	87	–	87
At 31 December 2010 (unaudited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>3,421</u>	<u>63</u>	<u>(60)</u>	<u>535</u>	<u>34,941</u>	<u>80,761</u>
At 1 July 2011 (audited)	11,844	27,063	2,954	3,251	63	(121)	555	28,955	74,564
Other comprehensive income for the period	–	–	–	312	–	14	–	–	326
Loss for the period	–	–	–	–	–	–	–	(1,860)	(1,860)
Total comprehensive income (expense) for the period	–	–	–	312	–	14	–	(1,860)	(1,534)
Recognition of share- based payment	–	–	–	–	–	–	4	–	4
At 31 December 2011 (unaudited)	<u>11,844</u>	<u>27,063</u>	<u>2,954</u>	<u>3,563</u>	<u>63</u>	<u>(107)</u>	<u>559</u>	<u>27,095</u>	<u>73,034</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2011

	Unaudited	
	Six months ended	
	31 December	
	2011	2010
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash from operating activities	3,922	1,801
Net cash used in investing activities	(2,236)	(715)
Net cash used in from financing activities	(921)	(1,815)
Increase (decrease) in cash and cash equivalents	765	(729)
Cash and cash equivalents at 1 July	10,310	10,919
Effect of foreign exchange rate changes	48	53
Cash and cash equivalents at 31 December	<u>11,123</u>	<u>10,243</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of presentation

The unaudited condensed consolidated interim financial information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Listing Rules. They have also been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

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 2011, 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.

HKAS 24 (as revised in 2009)	Related Party Disclosures
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKFRSs (Amendments)	Amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7, and HK(IFRIC) – Int 13 as part of Improvements to HKFRSs issued in 2010
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

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 computer components under the Group’s brand names (“Group brand products”); and distribution of other manufacturers’ computer components (“Other brand products”).

An analysis of the Group’s unaudited revenue and results for the period ended 31 December 2011 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2011	2010	2011	2010	2011	2010
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Revenue						
External sales	<u>66,831</u>	<u>91,677</u>	<u>48,135</u>	<u>58,542</u>	<u>114,966</u>	<u>150,219</u>
Result						
Segment result	<u>(1,031)</u>	<u>1,834</u>	<u>385</u>	<u>401</u>	<u>(646)</u>	<u>2,235</u>
Interest income					9	5
Unallocated						
corporate expenses					(611)	(755)
Finance costs					<u>(381)</u>	<u>(524)</u>
(Loss) profit						
before tax					<u>(1,629)</u>	<u>962</u>

3. (Loss) profit before tax

	Six months ended 31 December	
	2011	2010
	US\$'000	US\$'000
(Loss) profit before tax has been arrived at after charging:		
Depreciation and amortisation	2,031	2,201
Loss on disposal of property, plant and equipment	200	7
	<u>2,031</u>	<u>2,201</u>

4. Income tax expense

	Six months ended 31 December	
	2011	2010
	US\$'000	US\$'000
The charge comprises:		
– Hong Kong Profits Tax	3	3
– Taxation arising in other jurisdictions	228	128
	<u>231</u>	<u>131</u>

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the six months period ended 31 December 2011.

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

5. (Loss) earnings per share

The share options have no dilutive effect on ordinary shares for the six months ended 31 December 2011 because the exercise price of the Company's share options was higher than the average market price of shares for the period.

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	
	2011	2010
	US\$'000	US\$'000
(Loss) earnings for the purpose of:		
basic and diluted earnings per share	(1,860)	831
	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	920,984	921,021
Effect of dilutive potential ordinary share in respect of:		
– Share options	N/A	2,270
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>920,984</u>	<u>923,291</u>

6. Trade and other receivables

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

	31 December	30 June
	2011	2011
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	16,040	21,203
31 to 60 days	13,472	9,930
61 to 90 days	2,540	2,955
Over 90 days	17,724	11,588
	<hr/>	<hr/>
Trade receivables	49,776	45,676
Deposits, prepayments and other receivables	6,680	2,007
	<hr/>	<hr/>
	56,456	47,683
	<hr/> <hr/>	<hr/> <hr/>

7. Trade and other payables

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

	31 December	30 June
	2011	2011
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	9,036	6,215
31 to 60 days	6,063	3,494
61 to 90 days	4,565	1,196
Over 90 days	2,352	975
	<hr/>	<hr/>
Trade payables	22,016	11,880
Deposits in advance, accruals and other payables	5,183	4,627
	<hr/>	<hr/>
	27,199	16,507
	<hr/> <hr/>	<hr/> <hr/>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2011 (2010: Nil).

BUSINESS REVIEW

The Revenue for the first half of fiscal year 2012 was US\$114,966,000, which represents a 5% increase from the last six months period but a 23% decrease from the corresponding period last year. Gross profit was US\$11,558,000, a 68% gain from the last six months period but a 24% drop from the corresponding period last year. Gross margin was 10%, which is similar to corresponding period last year. The net loss for the first half of the year was US\$1,860,000 compared to a net profit of US\$831,000 from the corresponding period last year. As of 31 December 2011, cash on hand was US\$11,123,000.

Business for the first half of the year has improved from the previous half year. But it is substantially slower than the corresponding period last year. During this period, the Thailand flood has disrupted the supply chain of the hard disk drive severely, which in turn affected the whole PC industry. The supply of hard disk drive was reduced significantly in the last quarter, and the price increased by more than double as a result. As hard disk drive is the essential component that every PC requires, this natural disaster has slowed down the PC industry drastically, and specifically it negatively affected the business of our Graphics and Distribution Division.

BUSINESS OUTLOOK

As the supply chain of the hard disk drive is slowly back to normal, we are holding a cautiously optimistic outlook for the second half of the fiscal year. We already notice that the demand is back to a healthier level in the last 2 months. We expect that our revenue and profit position to improve from the first half.

We are rolling out 12 new graphics products of our mid/high end Performance and Enthusiasts series. We are particularly excited about our 7970 and 7950 series. They have received rave reviews and numerous awards since they are launched this year. We expect our new graphics products will continue to wow our customers and drive the business strongly.

In general, the macro economics remain soft, especially in Europe and USA, which are our main regions. We will continue to take a disciplined approach towards the business fundamentals such as receivables, inventory, and overhead.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 31 December 2011, the Group's borrowings comprised short-term loans of US\$26,870,000 (30 June 2011: US\$26,016,000) and long-term loans of US\$2,301,000 (30 June 2011: US\$2,344,000). The aggregate borrowings US\$29,171,000 (30 June 2011: US\$28,360,000) were secured by pledged bank deposits and deposit placed at an insurance company or by all assets of certain subsidiaries as floating or fixed charges to banks.

As at 31 December 2011, total pledged bank deposits, deposit placed at an insurance company and all assets of certain subsidiaries as floating or fixed charges were amounted US\$2,888,000, US\$400,000 and US\$48,211,000 respectively (30 June 2011: US\$3,284,000, Nil and US\$41,919,000). The Group continued to maintain a healthy financial and cash position. As at 31 December 2011, the total cash on hand amounted US\$11,123,000 (30 June 2011: US\$10,310,000).

Capital structure

There was no change in the capital structure of the Group as at 31 December 2011, as compared with that as at 30 June 2011.

Significant investments and material acquisitions

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2011.

Staff

As at 31 December 2011, the Group had 316 employees, a 5% decrease from 331 employees since June 2011, 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\$6.0 million for the six months period ended 31 December 2011 as compared with that of approximately US\$6.4 million for the corresponding period in the 2010.

Gearing ratio

As at 31 December 2011, the gearing ratio of the Group based on total liabilities over total assets was approximately 44% (30 June 2011: approximately 38%).

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, Canadian dollars and Pound Sterling. The unsecured risk will be foreign currency payables and loan exceeds its foreign currency revenue. During the year, 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 2011 (30 June 2011: Nil).

Segment information

Group brand products

Due to the flooding of Thailand and its resulted shortage of the hard disk drive, for the six months ended 31 December 2011, the segment's revenue dropped by 27% to US\$66,831,000 from US\$91,677,000 in corresponding period last year, while its loss US\$1,031,000 compared to profit US\$1,834,000 in corresponding period last year. With the supply of hard disk drive gradually back to normal, the management foresee an improvement and normalization of business in the second half of this fiscal year.

Other brand products

By the similar effect, the revenue of the six months ended 31 December 2011 had decreased 18% to US\$48,135,000 from US\$58,542,000 in the last corresponding period while its profit from other brand products had decreased from US\$401,000 to US\$385,000. The management also foresee an improvement of business activities of this segment in the second half of this fiscal year with the gradual normalization of supply chain of hard disk drive.

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 in the way of having not less than one-third of all directors retiring 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 Company's unaudited interim financial report for the six months ended 31 December 2011 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 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed its own shares through the Stock Exchange.

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

Hong Kong, 27 February 2012

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.