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 2018

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 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

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

* *For identification purposes only*

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Attributable to owners of the Company								
	Share capital	Share premium	Surplus account	Exchange reserve	Share options reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 July 2017 (audited)	11,851	27,083	2,954	394	–	11,963	54,245	2,062	56,307
(Loss) profit for the period	–	–	–	–	–	(1,449)	(1,449)	25	(1,424)
Other comprehensive income for the period									
Exchange differences arising on translation of foreign operations	–	–	–	298	–	–	298	52	350
Total comprehensive income (expense) for the period	–	–	–	298	–	(1,449)	(1,151)	77	(1,074)
Recognition of equity settled share-based payment	–	–	–	–	391	–	391	–	391
Issue of shares under shares subscription	551	2,756	–	–	–	–	3,307	–	3,307
Issue of shares under shares placing	1,812	9,784	–	–	–	–	11,596	–	11,596
At 31 December 2017 (unaudited)	14,214	39,623	2,954	692	391	10,514	68,388	2,139	70,527
At 1 July 2018 (audited)	**14,214**	**39,623**	**2,954**	**524**	**532**	**3,728**	**61,575**	**1,031**	**62,606**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(13,736)**	**(13,736)**	**(1,791)**	**(15,527)**
Other comprehensive expense for the period									
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(430)**	**–**	**–**	**(430)**	**(50)**	**(480)**
Total comprehensive expense for the period	**–**	**–**	**–**	**(430)**	**–**	**(13,736)**	**(14,166)**	**(1,841)**	**(16,007)**
Recognition of equity settled share-based payment	**–**	**–**	**–**	**–**	**1,641**	**–**	**1,641**	**–**	**1,641**
Issue of shares *(Note 11)*	**2,831**	**18,683**	**–**	**–**	**–**	**–**	**21,514**	**–**	**21,514**
At 31 December 2018 (unaudited)	**17,045**	**58,306**	**2,954**	**94**	**2,173**	**(10,008)**	**70,564**	**(810)**	**69,754**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

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

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, except as described as below:

In the current interim period, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time:

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

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

Summary of impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

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

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

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

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

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

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

Impairment under ECL model

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

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

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

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

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

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue. Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. **REVENUE AND SEGMENT INFORMATION**

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

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

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

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

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

3. LOSS BEFORE TAX

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

4. INCOME TAX (CREDIT) EXPENSE

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

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

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

5. LOSS PER SHARE

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

	Six months ended 31 December	
	2018	2017
	Unaudited	Unaudited
	US$'000	*US$'000*
Loss		
Loss for period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(13,736)**	(1,449)
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,300,302**	1,013,074
Effect of dilutive potential ordinary share in respect of outstanding share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,300,302**	1,013,074

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

6. OTHER INTANGIBLE ASSETS

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

7. CONTINGENT CONSIDERATION

Profit guarantee (determined on a provisional basis):

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

Profit guarantee represents the guarantee provided by Harmonious Miles Limited, as a vendor (the "Harmonious Miles") in favour of Talent Crest Limited (being a wholly-owned subsidiary of the Company) as a purchaser ("Talent Crest") in respect of the acquisition (the "Acquisition") of Eternal Abundant Limited ("Eternal Abundant"), of which the audited consolidated profit after tax of Eternal

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

8. TRADE AND OTHER RECEIVABLES

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

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

9. LOAN RECEIVABLES

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

11. ACQUISITION OF SUBSIDIARY

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

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

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

Consideration transferred (determined on a provisional basis):

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

Notes:

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

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

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

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

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

Goodwill arising (determined on a provisional basis):

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

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

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

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

	US$'000
Bank balances and cash acquired	80

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

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

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

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

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group's financial position

The Group's net current assets and equity attributable to owners of the Company as at 31 December 2018 were approximately US$48,730,000 and approximately US$70,564,000 respectively (30 June 2018: approximately US$61,390,000 and approximately US$61,575,000). The Group's current ratio at the end of the reporting period was approximately 1.8 (30 June 2018: approximately 1.9). The Group financed its operations by internally generated cash flows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

Liquidity, financial resources and charge of group asset

As at 31 December 2018, the Group's bank borrowings are short-term loans of approximately US$9,022,000 (30 June 2018: approximately US$13,334,000) which were secured by guarantee or by all assets of certain subsidiaries as floating charges to banks.

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

Capital structure

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

Gearing ratio

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

Exchange risk

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

Segment Information

Group brand products

For the six months ended 31 December 2018, the segment's revenue was approximately US$26,867,000, representing a decrease of approximately 77% as compared to that of approximately US$116,611,000 in the same period last year. The segment's loss was approximately US$13,814,000 as compared to a profit of approximately US$1,521,000 in the same period last year. We will bring down the inventory level and streamline the operations.

Other brand products

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

Money lending service

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

Trading business

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

Computer software and hardware and system development

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

Significant investments and material acquisitions

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

Saved as disclosed above, there were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 31 December 2018.

Staff

As at 31 December 2018, the Group had 242 office staff, representing a 69% increase from 143 office staff since 30 June 2018, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff cost, including Directors' emoluments, was approximately US$6,159,000 for the six months ended 31 December 2018 as compared with that of approximately US$4,292,000 for the corresponding period in the 2017.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme") adopted on 22 November 2013 was amended by way of an ordinary resolution passed by the Shareholders at the annual general meeting held on 15 November 2018. The Directors considered that the proposed 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.

On 12 December 2018, the Company offered to grant a total of 80,140,000 share options at an exercise price of HK$0.46 per Share to certain eligible participants, including Directors, pursuant to the Share Option Scheme. As at 31 December 2018, a total number of 92,140,000 share options were granted to the eligible participants, including Directors, under the Share Option Scheme since its adoption. Please refer to the announcements of the Company dated 22 September 2017 and 12 December 2018 for further information in relation to the grant of share options.

Contingent Liabilities

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. Throughout the period under review, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and A.4.2, details of which are explained below.

Pursuant to the code Provision A.2.1 of the CG Code, it is stipulated that the roles of the Chairman and the CEO should be separated and should not be performed by the same individual. As Mr. Zhang Sanhuo ("Mr. Zhang") is the Chairman and the CEO, the code provision A.2.1 of the CG Code is not fully complied with. The positions of the Chairman and CEO of the Company are held by Mr. Zhang who has extensive knowledge about the management. The Board believes that vesting the roles of the Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Company considers that there is no imminent need to change this structure.

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

AUDIT COMMITTEE

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Save as disclosed above, all Directors have confirmed, following enquiry by the Company, that they have complied with the required standards as set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2018, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase, or sell any of such shares.

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

Hong Kong, 27 February 2019

As at the date of this announcement, 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.