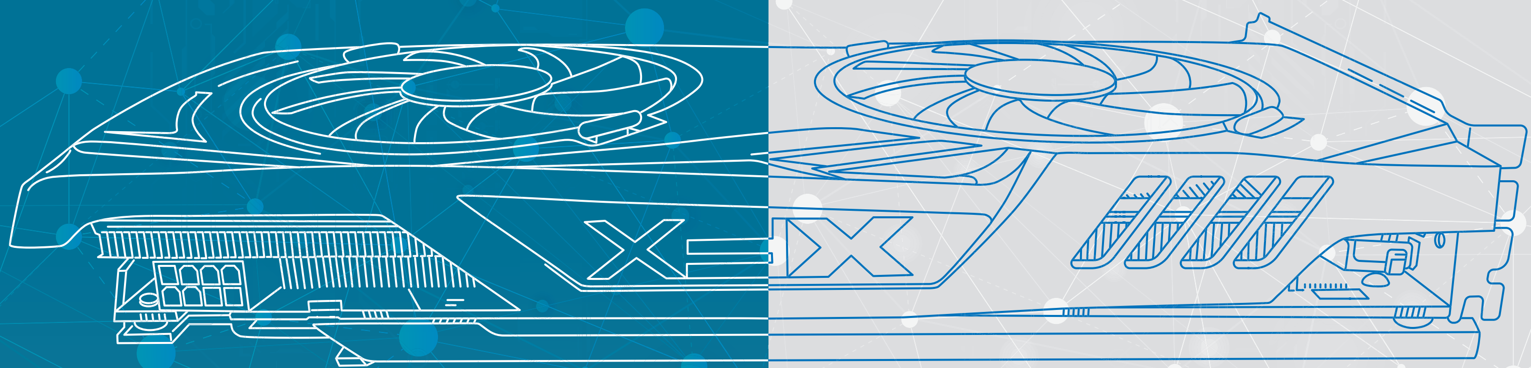
PINE

PINE TECHNOLOGY
HOLDINGS LIMITED

Stock Code 1079



ANNUAL
REPORT
2018

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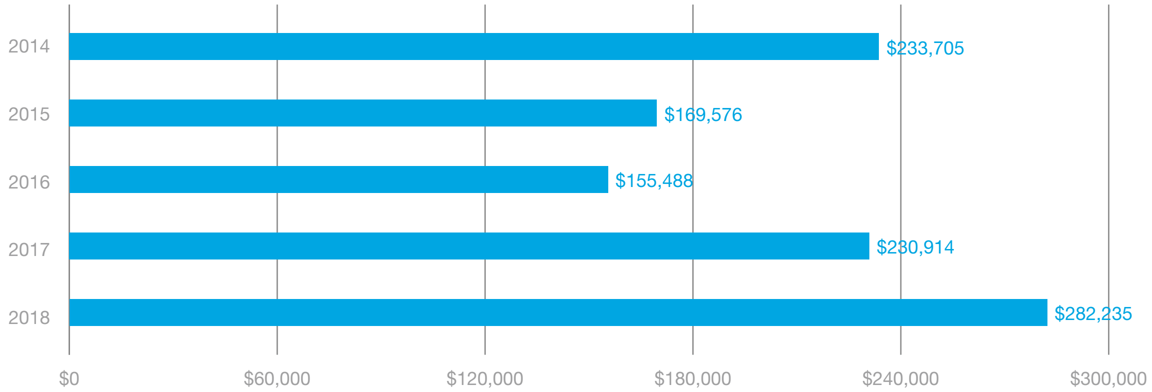
PINE Technology Holdings Limited and XFX Family of Brands

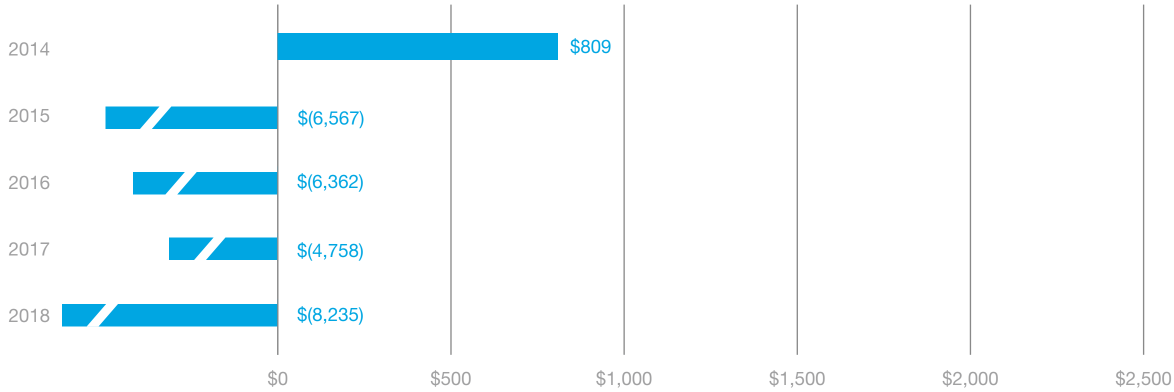
REVENUE

US$ Unit in Thousands



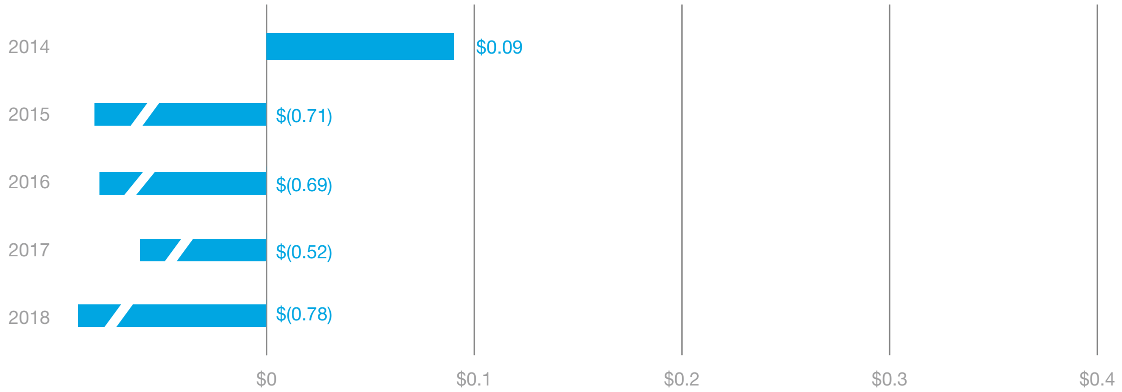
NET (LOSS) PROFIT (attributable to owners of the Company)

US$ Unit in Thousands



BASIC (LOSS) EARNINGS PER SHARE

US$ Unit in Cents



Corporate Information

PINE Technology Holdings Limited and XFX Family of Brands

Board of Directors

Executive Directors
Mr. Zhang Sanhuo
Chairman and Chief Executive Officer
Mr. Chiu Hang Tai
Mr. Chan Cheuk Ho

Independent non-executive Directors
Mr. So Stephen Hon Cheung
Mr. Zhou Chunsheng
Mr. Tian Hong

Company Secretary

Mr. Chan Cheuk Ho

Authorised Representatives

Mr. Zhang Sanhuo
Mr. Chan Cheuk Ho

Audit Committee

Mr. So Stephen Hon Cheung *Chairman*
Mr. Zhou Chunsheng
Mr. Tian Hong

Remuneration Committee

Mr. So Stephen Hon Cheung *Chairman*
Mr. Zhang Sanhuo
Mr. Zhou Chunsheng
Mr. Tian Hong

Nomination Committee

Mr. Zhang Sanhuo *Chairman*
Mr. So Stephen Hon Cheung
Mr. Zhou Chunsheng
Mr. Tian Hong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 1201, 12/F.
148 Electric Road, North Point
Hong Kong

Principal Bankers

China Construction Bank (Asia) Corporation Limited
Manufacturers Bank
Toronto-Dominion Bank
Bank of Communications (Hong Kong) Limited

Principal Share Registrar and Transfer Agent

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Legal Advisers

As to Hong Kong Law:
Michael Li & Co Solicitors

Stock Code

1079

Website of the Company

www.pinegroup.com

Chairman's Statement

PINE Technology Holdings Limited and XFX Family of Brands

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of PINE Technology Holdings Limited (the "**Company**"), I hereby present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2018 (the "**Year**").

Fiscal 2018 was another strong year for the Group in terms of sales. For the Year, the Group's revenue was US$282,235,000, representing a 22% increase compared to that of last year. Gross profit of the Group dropped by 14% as compared to that of last year to US$9,111,000. The Group incurred a loss of US$9,289,000.

During the Year, the Group raised approximately HK$114.99 million (equivalent to approximately US$14.74 million) through fund raising activities to strengthen its equity position for working capital needs, future expansion and acquisition.

Business review

PC related business

This Year we continued to pursue market share aggressively and focused on reducing the accounts receivable turnover. We achieved these two goals successfully – sales was increased from US$51,134,000 to US$282,048,000, while accounts receivable turnover was reduced from 99 days to 53 days. The gross margin also dropped 30.4%, from 4.6% to 3.2% due to increased component cost.

Since the supply on some of the key components was tight and the material cost was trended up in the first half of the Year, we had to commit to extra components to support the anticipated robust sales for the second half of the Year. Because of this, we had a lower gross margin and a higher level of inventory at Year end.

Money lending service

During the Year, 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. A subsidiary of the Company, namely Rong Xin Finance Limited, was incorporated in Hong Kong with limited liability, holding a money lenders license under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Directors believe that the entry of the new business segment will diversify the Group's business scope with a view to broadening its revenue basis to enhance its profitability and achieve a better return for its shareholders.

IT related business

The Company had successfully acquired China UIP Information Technology Co. Ltd. ("**China UIP**") in July 2018. China UIP is a company established in the People's Republic of China (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.

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.

Business outlook

We are taking a cautious approach towards the coming year. We expect that the ongoing trade war between the United States and the PRC and the unstable supply chain will result in an even higher material cost. With the uncertainty of the exchange rate and the certainty of intense competition, we believe that the head wind will remain strong.

Towards the year ahead, the Company aims to continue accelerating on its IT related business. We will also be actively looking for attractive opportunities for the Group to broaden its income base.

Zhang Sanhuo
Chairman

Hong Kong, 27 September 2018

Key performance indicators

	Audited results for the year ended 30 June **2018**	2017	Changes
Performance Indicators			
Revenue (US$'000)	**282,235**	230,914	51,321
Gross profit (US$'000)	**9,111**	10,562	(1,451)
Loss for the year (US$'000)	**(9,289)**	(5,010)	(4,279)
Loss per share – basic (US cents)	**(0.78)**	(0.52)	(0.26)
Net Cash (used in) from operating activities (US$'000)	**(9,094)**	(503)	(8,591)

	As at 30 June 2018	As at 30 June 2017	Changes
Financial Health Indicators			
Net current assets (US$'000)	**61,390**	55,202	6,188
Current ratio (times)	**1.9**	2.0	(0.1)
Equity attributable to owners of the Company (US$'000)	**61,575**	54,245	7,330

Group's financial position

The Group's net current assets and equity attributable to owners of the Company as at 30 June 2018 were US$61,390,000 and US$61,575,000 respectively (2017: US$55,202,000 and US$54,245,000). The Group's current ratio at the end of the reporting year was 1.9 (2017: 2.0). 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 on group asset

As at 30 June 2018, the Group's bank borrowings are short-term loans of approximately US$13,334,000 (2017: US$16,657,000) which were secured by pledged bank deposits and deposit placed for a life insurance policy, guaranteed or by all assets of certain subsidiaries as floating charges to banks.

As at 30 June 2018, deposit placed for a life insurance policy and all assets of certain subsidiaries as floating charges were amounted to approximately US$484,000 and approximately US$24,013,000 respectively (2017: US$463,000 and US$24,753,000). There is no pledged bank deposit as at 30 June 2018 (2017: US$670,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2018, the total cash on hand amounted to approximately US$8,681,000 (2017: US$7,069,000).

Capital structure

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

Gearing ratio

As at 30 June 2018, the gearing ratio of the Group based on total liabilities over total assets was approximately 53% (2017: 50%).

Currency risk

During the year, 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 Year, the Group has used foreign currency forward contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies.

Segment information

Group's brand products

For the Year, the segment's revenue was approximately US$211,869,000, an approximate 29% increase compared to approximately US$164,115,000 last year. The segment's loss was approximately US$5,089,000, compared to last year loss of approximately US$4,090,000.

We will continue to be market-share-centric to maintain the strong market position and to manage the inventory more effectively.

Other brand products

The turnover of the other brand products was approximately US$70,179,000, an approximate 5% increase compared to approximately US$66,799,000 last year. The segment's loss was approximately US$232,000, compared to last year profit of approximately US$698,000.

We will streamline the product line to further improve the business efficiency.

Money lending service

The Group has commenced the money lending service during the second half of the Year. For the Year, the segment's revenue was approximately US$187,000 and the segment's profit was approximately US$19,000.

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

Significant investments and material acquisitions and/or disposals

The Group had no significant investments or material acquisitions and/or disposals of subsidiaries and affiliated companies during the Year.

Employees

As at 30 June 2018, the Group had 143 employees, an approximate 10% decrease from 159 employees as at 30 June 2017, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff costs, including directors' emoluments, was approximately US$8,409,000 for the year ended 30 June 2018 as compared with that of approximately US$7,323,000 for the previous year.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2018 and 30 June 2017.

Funds raising activities

As disclosed in the announcement of the Company dated 28 July 2017, the Company entered into a placing agreement dated 28 July 2017 in relation to the placing of convertible bonds of an aggregate principal amount up to HK$115,000,000. As further disclosed in the announcement of the Company dated 18 August 2017, given that the conditions of such placing is not fulfilled on or before 18 August 2017, being the long stop date for the fulfillment of the conditions of the placing, the placing lapsed on 18 August 2017.

As disclosed in the announcement of the Company dated 30 August 2017, the Company entered into two separate subscription agreements (the "**Subscription Agreements**") with two subscribers for the subscription of a total of 43,000,000 ordinary shares of HK$0.10 each at a subscription price of HK$0.60 per subscription share. The closing market price of the shares of the Company on that date was HK$0.60. The Subscriptions were completed on 1 September 2017 and a total of 43,000,000 ordinary shares with nominal value of HK$4,300,000 were issued to the two independent subscribers at a net price of HK$0.593 per subscription share with net proceeds of approximately HK$25.50 million. The net proceeds from the Subscriptions were intended to be used for general working capital of the Group.

Further, as disclosed in the announcement of the Company dated 21 September 2017, the Company entered into a placing agreement dated 21 September 2017 in relation to the placing of up to 141,316,956 new shares of HK$0.10 each at a placing price of HK$0.64 per placing share under the general mandate granted at the annual general meeting of the Company held on 11 November 2016. The completion of the placing took place on 11 October 2017, where an aggregate of 141,316,956 new shares have been successfully placed to not less than six placees, who and whose ultimate beneficial owner(s) (if applicable) are independent third parties, at the placing price of HK$0.64 per placing share with net proceeds of approximately HK$89.49 million. The net proceeds were intended to be used as to approximately HK$10 million for general working capital of the Group and as to approximately HK$79.49 million for new business opportunities that may be identified by the Company from time to time. As further disclosed in the announcement of the Company dated 12 February 2018, the Company intended to apply as to approximately HK$70 million of such placing proceeds for the development of money lending business of the Group.

Equity Fund Raising Activities during the Year

Date of announcement	Event	Net Proceeds and intended use of proceeds	Actual use of proceeds
30 August 2017	Subscription of a total of 43,000,000 ordinary shares at a subscription price of HK$0.60 per subscription share.	The net proceeds HK$25.5 million from the Subscriptions were intended to be used for general working capital of the Group.	As at 30 June 2018, as to approximately HK$25.5 million of the net proceeds has been utilized for general working capital purposes, mainly towards administrative and operating expenses, and other payments.
21 September 2017	The Company entered into a placing agreement dated 21 September 2017 in relation to the placing of up to 141,316,956 new shares of HK$0.10 each at a placing price of HK$0.64 per placing share.	The net proceeds were intended to be used as to approximately HK$10 million for general working capital of the Group and as to approximately HK$79.49 million for new business opportunities that may be identified by the Company from time to time. As further disclosed in the announcement of the Company dated 12 February 2018, the Company intended to apply as to approximately HK$70 million of such placing proceeds for the development of money lending business of the Group.	As at 30 June 2018, as to approximately HK$10 million of the net proceeds has been utilized for general working capital purposes, mainly towards administrative and operating expenses, and other payments. HK$70 million of such placing proceeds has been utilised in the money lending business of the Group.

Management Profile

PINE Technology Holdings Limited and XFX Family of Brands

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Sanhuo ("Mr. Zhang"), aged 52, joined the Company on 8 June 2017 and is now an executive Director, chairman of the Board, chief executive officer of the Company, chairman of nomination committee (the "**Nomination Committee**") and member of the remuneration committee (the "**Remuneration Committee**") of the Board. He is responsible for overall strategic planning and formulation of corporate strategy of the Company. Mr. Zhang graduated from 山西財經大學 (Shanxi University of Finance & Economics*) with a bachelor's degree in accounting and obtained a master's degree in business administration from 長江商學院 (Cheung Kong Graduate School of Business). He has over 20 years of experience in corporate management in mining, investment, finance and other industries. Save for abovementioned, Mr. Zhang is also the chairman of the board, an executive director, the chairman of the nomination committee and a member of the remuneration committee of the board of Green Leader Holdings Group Limited (formerly known as "North Asia Resources Holdings Limited"), a company the shares of which are listed on the Main Board (stock code: 61) of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Chiu Hang Tai ("Mr. Chiu"), aged 58, is a co-founder of the Group and is now an executive Director. He holds a bachelor of science in economics from the Salem State College in the United States (the "**US**") and a master's degree in business administration from Northeastern University in the US. He has over 29 years of experience in the computer industry and also served as a director of two health food companies. Mr. Chiu was awarded the 1999 Young Industrialist Award of Hong Kong.

Mr. Chan Cheuk Ho ("Mr. Chan"), aged 51, joined the Company on 8 June 2017 as an executive Director. Mr. Chan obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003. In the past 20 years, Mr. Chan was the finance director, financial controller and company secretary of several companies listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director, the chairman of the audit committee and remuneration committee and a member of the nomination committee of the board of Eagle Nice (International) Holdings Limited, the shares of which are listed on the Main Board (stock code: 2368) of the Stock Exchange.

Independent Non-Executive Directors

Mr. So Stephen Hon Cheung ("Mr. So"), aged 62, was appointed as an independent non-executive Director in September 2002. He is the chairman of the audit committee (the "**Audit Committee**") of the Board and the Remuneration Committee and a member of the Nomination Committee. Mr. So is a director of the accounting firm T.M Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor's degree in commerce from the University of British Columbia, Canada and is now a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of the PRC. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, the PRC and Canada.

Mr. So is an independent non-executive director of Pinestone Capital Limited (stock code: 804), the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239) (formerly known as Jin Bao Bao Holdings Limited) since 11 August 2017 and an independent non-executive director of both YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since 20 September 2017, the shares of those companies are listed on the Main Board of the Stock Exchange. From March 2000 to December 2014, Mr. So was an independent non-executive director of Skyworth Digital Holdings Limited (stock code: 751) and from May 2011 to February 2017, Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code:1150), the shares of both companies are listed on the Main Board of the Stock Exchange.

Mr. Zhou Chunsheng ("Mr. Zhou"), aged 52, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit, Nomination and Remuneration Committees. Mr. Zhou is currently a professor-in-residence of 長江商學院 (Cheung Kong Graduate School of Business). He was an assistant dean, director of the executive education program and a professor of finance of 光華管理學院 (Guanghua School of Management) of 北京大學 (Peking University). He is a distinguished economist, a winner of the National Excellent Young Researcher Grant, an honorary professor at the University of Hong Kong, a visiting professor at the City University of Hong Kong and a member of the 1st and 2nd Listing Committee of the Shenzhen Stock Exchange. Mr. Zhou obtained a master's degree in mathematics from Peking University and a doctoral degree in economics (finance) from Princeton University in the United States. From 1994 to 1995, he was awarded an honorary doctoral scholarship excellence from Princeton University. During 1997 to 2001, Mr. Zhou worked for the University of California and the school of business of the University of Hong Kong. From April to December 2001, at the invitation of China Securities Regulatory Commission ("**CSRC**"), Mr. Zhou acted as a member (deputy level) of the planning and development committee of CSRC. He also became the head of the finance department of 光華管理學院 (Guanghua School of Management). Mr. Zhou is an expert in analyzing financial investment, securities markets, capital operation and financial derivatives.

Mr. Zhou is currently an independent non-executive of director of each of Transfar Zhilian Co., Ltd. (a company listed on the Shenzhen Stock Exchange) (stock code: 002010), Guosheng Financial Holding Inc. (a company listed on the Shenzhen Stock Exchange) (stock code: 002670), Kunwu Jiuding Investment Holdings Co., Limited (a company listed on the Shanghai Stock Exchange) (stock code: 600053), Zhonghong Holdings Co., Limited (a company listed on the Shenzhen Stock Exchange) (stock code: 000979) and Green Leader Holdings Group Limited (formerly known as "North Asia Resources Holdings Limited") (a company listed on the Stock Exchange) (stock code: 61). Mr. Zhou is also the director of Nanda Automation Technology Jiangsu Co., Ltd (a company listed on New Third Board) (stock code: 834876) and the independent director of Leshan City Commercial Bank.

Mr. Tian Hong ("Mr. Tian"), aged 53, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the audit, nomination and remuneration committees of the Board. Mr. Tian has been the chief investment advisor of 至正實業有限公司 (Windus Enterprises Inc.*) since 2016. Mr. Tian obtained a master's degree in business administration from 山西財經大學 (Shanxi University of Finance & Economics*) in 2009 and qualified as senior economist of The Bank of China in 1998. Mr. Tian worked for Industrial and Commercial Bank of China from 1984 to 1989. From 1990 to 2015, Mr. Tian worked for The Bank of China as operation deputy president, president, department head, and other senior management positions in charge of corporate finance, retail finance, investment banking, financial market and other core banking businesses.

Company Secretary

Mr. Chan Cheuk Ho, an executive Director, has been appointed as the company secretary of the Company with effect from 4 July 2017.

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Board has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is of the view that throughout the year ended 30 June 2018, 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 will be explained below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transaction.

Having made specific enquiry of all Directors by the Company, all Directors, save as disclosed below, confirmed that they had complied with the Model Code during the Year.

Pursuant to paragraph A.3 of 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 (each a "**Share**") 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 (the "**Disposal**") to settle the outstanding balances owing to the Broker. The Disposal fell within the Black-out Period. 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 also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "**Employees Written Guidelines**") who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board comprises the following Directors:

Executive Directors:
Mr. Zhang Sanhuo *(Chairman and Chief Executive Officer)*
Mr. Chiu Hang Tai
Mr. Chan Cheuk Ho

Independent non-executive Directors:
Mr. So Stephen Hon Cheung
Mr. Zhou Chunsheng
Mr. Tian Hong

The biographical information of the Directors are set out in the management profile on pages 10 to 12 of this annual report.

There is no relationship (including financial, business, family or other materials/relevant relationship(s)) between the Board members.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer ("**CEO**") of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

As disclosed in the announcement of the Company dated 15 November 2017, Mr. Li Jiàn ("**Mr. Li**") had been appointed as the CEO. The Company had complied with the code provisions of the CG Code set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2017 since the appointment of Mr. Li.

As disclosed in the announcements of the Company dated 3 January 2018 and 8 January 2018, the service agreement with Mr. Li has been terminated with effect from 3 January 2018 and Mr. Zhang Sanhuo ("**Mr. Zhang**"), the Chairman of the Board and an executive Director, has been appointed as the CEO with effect from 3 January 2018. It constituted a deviation from code Provision A.2.1 of the CG Code set out in Appendix 14 of the Listing Rules since 3 January 2018.

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 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, in the circumstances, 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, temporarily, 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 Company's Directors subject to retirement by rotation at each annual general meeting.

Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Directors Re-election

Bye-law 111 of 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 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. At the forthcoming 2018 annual general meeting, each of Mr. Chiu Hang Tai and Mr. Tian Hong shall retire from office and being eligible, shall offer himself for re-election as executive Director and independent non-executive Director respectively.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Members of the Board take decisions objectively in the interests of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the service and advice from the company secretary of the Company (the "**Company Secretary**") and senior management with a view to ensuring that all required procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors will disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board adopts a Board Diversity Policy which aims to build and maintain diversity of the Board in terms of skills, professional experience, cultural and educational background, gender, age, and other attributes and strengths that are required for the Company's business from time to time. The policy stipulates that Board appointments will be made on a merit basis and candidates will be considered against objective selection criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee is delegated by the Board to review the Board Diversity Policy on a regular basis, make recommendations to the Board on measurable objectives for achieving diversity of the Board as appropriate and monitor the progress on achieving the objectives.

Continuous Professional Development

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for the Directors will be arranged where necessary.

All Directors have provided their training records to the Company. During the Year, the Company Secretary has taken not less than 15 hours of relevant professional training.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the respective websites of the Company and the Stock Exchange and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee held 2 meetings to review the annual financial results and reports in respect of the year ended 30 June 2018, the interim results and report for the six months ended 31 December 2017 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice during the Year.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Year, the Remuneration Committee met four times to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

During the Year, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the relevant annual general meeting. Additional meetings may be held as and when required.

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Audit Committee meets to review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Written Employee Guidelines, and the Company's compliance with the CG Code.

The Board holds meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying the Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Company Secretary is responsible for keeping the minutes of all meetings of the Board and the Board committees.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the Year is set out in the table below:

	Number of meetings attended/total number of meetings held				
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**2017 Annual General Meeting**
Executive Directors					
Mr. Zhang Sanhuo	17/17	4/4	–	1/1	1/1
Mr. Chiu Hang Tai	17/17	–	–	–	0/1
Mr. Chiu Samson Hang Chin *(resigned on 4 July 2017)*	0/1	–	–	–	–
Mr. Chan Cheuk Ho	17/17	–	–	–	1/1
Non-executive Directors					
Mr. Chiu Herbert H T *(resigned on 4 July 2017)*	0/1	–	–	–	–
Mr. Li Chi Chung *(resigned on 4 July 2017)*	0/1	–	–	–	–
Independent Non-executive Directors					
Mr. So Stephen Hon Cheung	12/17	3/4	2/2	1/1	1/1
Dr. Huang Zhijian *(resigned on 4 July 2017)*	0/1	–	–	–	–
Dr. Chung Wai Ming *(resigned on 4 July 2017)*	0/1	–	–	–	–
Mr. Zhou Chunsheng	13/16	4/4	2/2	1/1	1/1
Mr. Tian Hong	13/16	3/4	2/2	1/1	1/1

Apart from regular Board meetings, the Chairman also held a meeting with all the non-executive Directors (including independent non-executive Directors) without the presence of another executive Director during the Year.

INDEPENDENT AUDITORS' REMUNERATION

An analysis of the remuneration paid and payable to the external auditors of the Company, Messrs Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the Year is set out below:

Service Category	Fees Paid/Payable US$
Audit Services	446,000
Non-audit Services	11,000
– tax services for the Group	
– agreed upon procedures on Group's annual results announcement	
	457,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems with regard to the objectives of the Group. The established systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year under review, the Board, through the Audit Committee, has conducted a review on the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes. With the implementation of internal audit function, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

Inside information policy is in place, which aims to set out guidelines to ensure inside information of the Group is to be disseminated to the public in equal and timely manner.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings are voted by poll pursuant to the Listing Rules and poll results are posted on the respective websites of the Company and the Stock Exchange after each Shareholders' meeting.

1. Convening a Special General Meeting by Shareholders

1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company as at the date of the deposit of the requisition carrying the right of voting at general meetings of the Company may by written requisition deposit at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board, to require a special general meeting to be called by the Board.

1.2 The requisition must state the purposes of the meeting, and must be signed by the requisitionists and may consist of several documents in like form, each signed by one or more requisitionists.

1.3 The signatures and the requisition will be verified by the Company's share registrars. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

2. Putting Forward Proposals at General Meetings

2.1 On the requisition in writing of (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than one hundred Shareholders, the Company shall be under a duty to:

(a) give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

2.2 The requisition must be signed by the requisitionists and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board and

(i) in the case of requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting.

(ii) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

2.3 The signatures and the requisition will be verified by the Company's share registrars. Upon confirming that the requisition is proper and in order, notice of any such intended resolution shall be given, and any such statement shall be circulated, to the Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each of such Shareholders in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him/her/it notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

3. Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

4. Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong
(For the attention of the Board of Directors)

For the avoidance of doubt, Shareholder(s) must provide their full name, contact details and identification in order that the Company can give them a reply. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

During the Year, the Company has not made any changes to its Bye-laws. An updated version of the Company's Bye-laws is also available on the respective websites of the Company and the Stock Exchange.

Report of the Directors

PINE Technology Holdings Limited and XFX Family of Brands

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2018 (the "**Year**").

Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 36.

The Directors do not recommend a dividend for the Year (2017: Nil).

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 9 of this annual report respectively.

Principal Risks and Uncertainties

There are a number of factors affecting the results and business operations of the Group. The most significant risk is the uncertainty in the global economic environment, we expect that the ongoing trade war between the United States and the PRC and unstable supply chain will result in an even higher material cost.

Certain financial risk and uncertainties are also set out in note 37 to the consolidated financial statements in this annual report.

Environmental Policies and Performance

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycle and reduction. It implements green office practices such as re-deployment of office furniture as far as possible, encouraging the use of recycled paper for printing and copying, doublesided printing and copying, reducing energy consumption by switching off idle lightings, air conditioning and electrical appliances.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Group has complied with the relevant laws and regulations in material respects that have a significant impact on the business and operation of the Group.

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals.

During the Year, there was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Permitted Indemnity Provision

The Company's Bye-laws provides that the directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter incur or sustain through their own fraud or dishonesty. A directors' liability insurance is in place to protect the directors against potential costs and liabilities arising from claims brought against the directors.

Five Years Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 106.

Property, Plant and Equipment

During the Year, the Group acquired additional property, plant and equipment at a cost of approximately US$858,000.

Details of these and other movements during the Year in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

Share Capital and Share Options Schemes

Details of the Company's share capital and share option schemes are set out in notes 27 and 29 to the consolidated financial statements, respectively.

Distributable Reserves of the Company

Details of the movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 39 and the Company's reserves available for distribution to shareholders as at 30 June 2018 were as follows:

	2018 **US$'000**	2017 US$'000
Contributed surplus	**9,036**	9,036
(Accumulated losses) retained profits	**(799)**	2,311
	8,237	11,347

Under the Companies Act 1981 at Bermuda (as amended), the contributed surplus account of a company is available for distribution.

However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Purchase, Sale or Redemption of Listed Securities

During the Year, 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 such shares.

Directors

The Directors during the Year and up to the latest practicable date prior to the issue of this annual report are:

Executive directors:

Mr. Zhang Sanhuo – *Chairman and Chief Executive Officer (Appointed as CEO on 3 January 2018)*
Mr. Chan Cheuk Ho
Mr. Chiu Hang Tai
Mr. Chiu Samson Hang Chin *(Resigned on 4 July 2017)*

Non-executive Directors:

Mr. Chiu Herbert Hang Tat *(Resigned on 4 July 2017)*
Mr. Li Chi Chung *(Re-designated from Independent non-executive Director on 17 January 2017 and resigned on 4 July 2017)*

Independent non-executive Directors:

Mr. So Stephen Hon Cheung
Dr. Huang Zhijian *(Resigned on 4 July 2017)*
Dr. Chung Wai Ming *(Resigned on 4 July 2017)*
Mr. Zhou Chunsheng *(Appointed on 4 July 2017)*
Mr. Tian Hong *(Appointed on 4 July 2017)*

Bye-law 111 of the Company's Bye-laws provides that one-third of the Directors, with the exception of Chairman, Deputy Chairman, Managing Director and Joint Managing Director, shall retire from office by rotation at each annual general meeting. In order to put in place good corporate governance practice, notwithstanding the provisions of the Company's Bye-laws, the Company intends to have one-third of all the Directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2018 annual general meeting, each of Mr. Chiu Hang Tai and Mr. Tian Hong will retire from office and, being eligible, shall offer himself for re-election pursuant to Bye-law 111 as executive Director and independent non-executive Director respectively.

Directors' Service Contracts

Mr. Chiu Hang Tai, being the executive Director, who has been proposed for re-election at the forthcoming annual general meeting (the "**Re-election**"), had entered into a service contract with the Company for an initial term of three years commencing from 1 November 1999, and will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. He is entitled to the respective basic salary set out below (subject to an annual increment after 1 November 2000 at the discretion of the Directors of not more than 15 per cent of the annual salary immediately prior to such increase). In addition, he is also entitled, on completion of every 12 months of service, to a management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5 per cent of the audited consolidated or combined net profit of the Company (after taxation and minority interests and payment of such bonuses but excluding extraordinary items) in respect of that financial year of the Company.

None of the Directors being proposed for the Re-election has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at 30 June 2018, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions:
Ordinary shares of HK$0.1 each of the Company

Name of company	Name of director	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
PINE Technology Holdings Limited	Zhang Sanhuo	Controlled corporation	721,563,680 (Note 1)	65.25%

Long positions:
Ordinary shares of US$1.00 each of Pine Technology (BVI) Limited

Name of company	Name of director	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
PINE Technology (BVI) Limited	Chiu Hang Tai	Controlled corporation	1,500 (Note 2)	15%

Notes:

1. Shares are beneficially owned by and registered in the name of Sage Global Holdings Limited ("**Sage Global**"), which is a company incorporated in the British Virgin Islands ("**BVI**") and its entire issued share capital is wholly and beneficially owned by South Pearl Ventures Limited ("**South Pearl**"), and South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, the Chairman and an executive Director. As at 30 June 2018, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.

2. The shares are beneficially owned by and registered in the name of Simply Perfect Group Limited ("**Simply Perfect**"), which is a company incorporated in the BVI and 41% of its share capital is beneficially owned by Mr. Chiu Hang Tai, and executive Director. Mr. Chiu Hang Tai is deemed to be interested in the shares held by Simply Perfect by virtue of the SFO.

Long position in the underlying Shares:

Name of Directors	Nature of Interest	Number of shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Sanhuo	Beneficial owner	6,000,000 (Note 1)	0.54%
Mr. Chan Cheuk Ho	Beneficial owner	6,000,000 (Note 2)	0.54%

Notes:

1. These underlying Shares are held by Mr. Zhang Sanhuo, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK$0.83 per share.

2. These underlying Shares are held by Mr. Chan Cheuk Ho, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK$0.83 per share.

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, the wife of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at 30 June 2018. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK$1,000 million, as specified in the articles of association of the subsidiary, to holders of the ordinary shares.

Save as disclosed above, as at 30 June 2018, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code.

Share Options

Particulars of the Company's share option schemes are set out in note 29 to the consolidated financial statements.

The Company's share option scheme adopted by the Shareholders pursuant to a resolution passed on 22 November 2013 (the "**Scheme**") is established for the purpose of providing incentives to the Directors and eligible employees or any persons who have contributed or will contribute to the Group and, unless otherwise cancelled or amended, will expire on 21 November 2023.

As disclosed in the announcement dated 22 September 2017, there were 12,000,000 share options granted to certain Directors with an exercise price HK$0.83 per share pursuant to the Scheme. Details of the share options outstanding under the Scheme as at 30 June 2018 to subscribe for the shares in the Company are as follows:

Granted to	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates Inclusive)	Exercise price HK$	Number of share options Outstanding as at 30 June 2018
Mr. Zhang Sanhuo	Chairman and Chief Executive Officer	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000
Mr. Chan Cheuk Ho	Executive Director	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000

As at 30 June 2018, the Group has recognized approximately US$532,000 (30 June 2017: Nil) of share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

Arrangement to Acquire Shares or Debentures

Other than the share option schemes disclosed above, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

During the Year, there is no contract of significance, to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' Interest in Competing Business

None of the Directors and their respective associates had any competing interests which were required to be disclosed pursuant to Rule 8.10 (2)(b)&(c) of the Listing Rules during the Year.

Substantial Shareholders' Interests in Securities

Save as the interests of certain Directors disclosed under the section headed "Directors' and chief executive's interests and short position in shares, underlying shares and debentures", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 30 June 2018, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of company	Name of substantial shareholder	Capacity	Number of issued shares held	Position	Approximate percentage of the issued share capital of the company
PINE Technology Holdings Limited	Sage Global	Beneficial owner	721,563,680	Long	65.25%
			721,563,680 (Note 1)	Short	65.25%
Pine Technology (BVI) Limited	Simply Perfect Group Limited	Beneficial owner	1,500 (Note 2)	Long	15%

Notes:

1. Sage Global beneficially owns 721,563,680 Shares. Sage Global is wholly and beneficially owned by South Pearl. South Pearl is in turn wholly and beneficially owned by Mr. Zhang, an executive director, the chairman and chief executive officer of the Company. As at 30 June 2018, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.

2. The shares are beneficially owned by and registered in the name of Simply Perfect which was incorporated in the BVI and 41% of its share capital is beneficially owned by Mr. Chiu Hang Tai, an executive Director.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2018.

Convertible Securities, Options, Warrants or Similar Rights

Other than the share options as set out in note 29 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2018.

Major Customers and Suppliers

For the Year, the top five suppliers of the Group together accounted for approximately 72% of the Group's total purchases and the largest supplier accounted for approximately 64% of the Group's total purchases.

None of the Directors, their respective associates or any shareholders of the Company who owns more than 5% of the issued share capital of the Company had any interests in the Group's five largest customers and suppliers during the Year.

For the Year, the Group's five largest customers accounted for less than 30% of the total sales of the Group.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are determined by the Board. The Remuneration Committee reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, having regard to the Company's operating results, individual performance and comparable market statistics.

As mentioned above, the Company has adopted a share option scheme as an incentive to the Directors and eligible employees.

Details of Directors' emolument and individuals with highest emoluments are set out in notes 8 and 9 to the consolidated financial statements.

Mandatory unconditional cash offer and sufficiency of public float

As disclosed in the announcement of the Company dated 3 July 2017, upon the completion of the mandatory unconditional cash offer by Sage Global on 3 July 2017 to acquire 181,599,638 shares of the Company in according to the terms and conditions set out in the composite document issued by the Company dated 7 June 2017, together with the 539,964,042 shares in the Company acquired from the former controlling shareholders of the Company on 5 June 2017, Sage Global become the controlling shareholders of the Company and held 721,563,680 shares of the Company, representing approximately 78.30% of the issued share capital of the Company.

Immediately after the close of the offers made by Sage Global, 200,021,103 shares, representing approximately 21.70% of the existing issued share capital of the Company, were held by the public (within the meaning of the Listing Rules), which was less than 25% of the existing issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules. Accordingly, the Company was not able to satisfy the public float requirement under the Listing Rules upon the close of the Offers. An application had been made to the Stock Exchange for a temporary waiver to the Company from the strict compliance with the public float requirement under Rule 8.08(1)(a) of the Listing Rules. As further disclosed in the announcement of the Company dated 1 September 2017.

Following the completion of the subscriptions for an aggregate of 43,000,000 new shares of the Company by two independent subscribers (the "**Subscribers**") pursuant to the subscription agreements dated 30 August 2017 entered into between the Company and the Subscribers, a total of 243,021,103 shares, representing approximately 25.20% of the issued share capital of the Company, were held by the public shareholders. Accordingly, the public float of the Company had been restored to not less than 25% of the total issued Shares in compliance with Rule 8.08(1)(a) of the Listing Rules on 1 September 2017.

Save as disclosed above, based on the information that is publicly available to the Company and within the Directors' knowledge, the Company has maintained a sufficient public float throughout the Year and up to the latest practicable date prior to the issue of this annual report.

Events after the Reporting Period

Subsequent to the end of the reporting period, on 9 July 2018, Talent Crest Limited which is a wholly owned subsidiary of the Company (the "**Purchaser**"), Harmonious Miles Limited (the "**Vendor**") and Mr. Wu Chung Man Ronnie, as guarantor, entered into the sale and purchase agreement (as amended and supplemented by the supplemental agreement thereto dated 13 July 2018), pursuant to which the Vendor conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital in Eternal Abundant Limited, for a consideration of HK$220,800,000, which was satisfied by the Purchaser 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.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Retirement Benefit Schemes/Pension Schemes

Information on the Group's retirement benefit schemes/pension schemes is set out in note 33 to the consolidated financial statements.

Review of the Final Results by Audit Committee

The Audit Committee has reviewed with the management and the Company's Independent Auditor the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

Independent Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as an independent auditor of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 31 to 35.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

From 1 July 2017, the annual remuneration of Mr. So Stephen Hon Cheung has been revised from HK$120,000 to HK$144,000.

On 1 February 2018, the remuneration package of Mr. Zhang had been changed. In view of Mr. Zhang's performance and contribution, on top of Mr. Zhang's monthly remuneration, the Company would provide a premise for living to Mr. Zhang.

Mr. Zhang's remuneration is governed by the Bye-laws and he is currently entitled to receive a monthly remuneration of HK$100,000 and a premise for living which is determined by the Board based on the recommendation from the Remuneration Committee of the Company with reference to, among other matters, his duties and responsibilities, salary paid by comparable companies, time commitment, employment conditions of other members of the Group and a bonus for each financial year which is subject to the discretion of the Board.

Save as disclosed above, during the period, and as at the date of this report, there were no other changes to the Directors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board

Zhang Sanhuo
CHAIRMAN

Hong Kong, 27 September 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PINE Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 36 to 105, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of trade receivables to the consolidated financial statements as a whole and the judgement associated with the assessment of the recoverability of trade receivables by the management of the Group. As disclosed in the note 19 to the consolidated financial statements, the carrying amount of trade receivables is approximately US\$11,562,000 (net of allowance for doubtful debts of approximately US\$297,000) as at 30 June 2018. As further disclosed in note 4 to the consolidated financial statements, the management performs assessment on the recoverability of trade receivables with reference to certain of these factors including debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers.	Our procedures in relation to the recoverability of trade receivables included: • Obtaining an understanding of how allowance for doubtful debts is estimated by management; • Checking the accuracy of the trade receivable aging prepared by management, on a sample basis, to the sales invoices and good delivery documents; • Checking the subsequent settlement of trade receivables, on a sample basis, to the bank receipts; and • Evaluating the reasonableness of the estimation of allowance for doubtful debts by management with reference to, where applicable, the debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers.
Write-down for inventories	
We identified the write-down for inventories as a key audit matter due to the significance of inventories to the consolidated statement of financial position as a whole and the judgement associated with the assessment of write-down for inventories. As disclosed in note 18 to the consolidated financial statements, inventories of the Group as at 30 June 2018 comprised of raw materials, work in progress and finished goods of approximately US\$47,749,000, US\$2,835,000 and US\$49,901,000 respectively. An expense of US\$5,575,000 was recognised in profit or loss to write-down the cost of inventories to their net realisable values during the year ended 30 June 2018. As further disclosed in note 4 to the consolidated financial statements, the assessment of write-down for inventories requires significant management judgement in determining net realisable values with reference to estimated selling prices and reviewing the usability and saleability of inventories.	Our procedures in relation to the write-down for inventories include: • Obtaining an understanding on management process of valuation of inventories; • Evaluating the basis of write-down for inventories assessed by management with reference to net realisable values which take into account on the estimated selling prices and the usability and saleability of inventories; and • Checking the estimated selling prices of the inventories to recent or subsequent selling prices of the same products, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Cheung Chung Yin, Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	NOTES	2018 US$'000	2017 US$'000
Revenue	5	**282,235**	230,914
Cost of sales		**(273,124)**	(220,352)
Gross profit		**9,111**	10,562
Other income		**588**	102
Selling and distribution expenses		**(3,756)**	(3,399)
General and administrative expenses		**(12,540)**	(10,440)
Other gains and losses	6	**(1,626)**	(1,201)
Finance costs	7	**(625)**	(888)
Loss before tax		**(8,848)**	(5,264)
Income tax (expense) credit	10	**(441)**	254
Loss for the year	11	**(9,289)**	(5,010)
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**153**	(93)
Total comprehensive expense for the year		**(9,136)**	(5,103)
Loss for the year attributable to:			
Owners of the Company		**(8,235)**	(4,758)
Non-controlling interest		**(1,054)**	(252)
		(9,289)	(5,010)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(8,105)**	(4,891)
Non-controlling interest		**(1,031)**	(212)
		(9,136)	(5,103)
Loss per share	12		
Basic (US cents)		**(0.78)**	(0.52)

Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	2018 US$'000	2017 US$'000
Non-current Assets			
Property, plant and equipment	13	**853**	274
Development costs	14	**–**	242
Trademarks	15	**3**	150
Interest in a joint venture	16	**–**	–
Deposit placed for a life insurance policy	17	**484**	463
Rental deposits		**47**	39
		1,387	1,168
Current Assets			
Inventories	18	**100,485**	32,178
Trade and other receivables	19	**12,665**	71,335
Loan receivables	20	**9,162**	–
Amount due from a joint venture	21	**–**	1,188
Tax recoverable		**14**	9
Pledged bank deposits	22	**–**	670
Bank balances and cash	23	**8,681**	7,069
		131,007	112,449
Current Liabilities			
Trade and other payables	24	**48,763**	32,957
Amount due to a joint venture	21	**–**	27
Loan from a non-controlling shareholder of a subsidiary	21	**7,511**	7,511
Tax payable		**9**	75
Obligations under finance leases	25	**–**	20
Secured bank borrowings	26	**13,334**	16,657
		69,617	57,247
Net Current Assets		**61,390**	55,202
Total Assets less Current Liabilities		**62,777**	56,370

Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	**2018** **US$'000**	2017 US$'000
Capital and Reserves			
Share capital	27	**14,214**	11,851
Share premium and reserves		**47,361**	42,394
Equity attributable to owners of the Company		**61,575**	54,245
Non-controlling interest		**1,031**	2,062
		62,606	56,307
Non-current Liability			
Deferred tax liability	28	**171**	63
		62,777	56,370

The consolidated financial statements on pages 36 to 105 were approved and authorised for issue by the Board of Directors on 27 September 2018 and are signed on its behalf by:

Zhang Sanhuo
DIRECTOR

Chiu Hang Tai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to owners of the Company								
	Share capital US$'000	**Share premium** US$'000	**Surplus account** US$'000 (Note (a))	**Exchange reserve** US$'000	**Share options reserve** US$'000	**Retained profits** US$'000	**Total** US$'000	**Non-controlling interest** US$'000	**Total** US$'000
At 1 July 2016	11,851	27,083	2,954	527	14	16,064	58,493	–	58,493
Loss for the year	–	–	–	–	–	(4,758)	(4,758)	(252)	(5,010)
Other comprehensive (expense) income for the year									
Exchange differences arising on translation of foreign operations	–	–	–	(133)	–	–	(133)	40	(93)
Total comprehensive expense for the year	–	–	–	(133)	–	(4,758)	(4,891)	(212)	(5,103)
Cancellation of share options	–	–	–	–	(14)	14	–	–	–
Non-controlling interest arising on disposal of partial interests in a subsidiary that does not result in losing control of that subsidiary (Note (b))	–	–	–	–	–	643	643	2,274	2,917
At 30 June 2017	11,851	27,083	2,954	394	–	11,963	54,245	2,062	56,307
Loss for the year	–	–	–	–	–	(8,235)	(8,235)	(1,054)	(9,289)
Other comprehensive income for the year									
Exchange differences arising on translation of foreign operations	–	–	–	130	–	–	130	23	153
Total comprehensive income (expense) for the year	–	–	–	130	–	(8,235)	(8,105)	(1,031)	(9,136)
Ordinary share issued (note 27)	2,363	12,540	–	–	–	–	14,903	–	14,903
Recognition of equity settled share based payments (note 29)	–	–	–	–	532	–	532	–	532
At 30 June 2018	14,214	39,623	2,954	524	532	3,728	61,575	1,031	62,606

Notes:

(a) Surplus account of the Group represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Pine Technology (BVI) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in previous years.

(b) During the year ended 30 June 2017, the Group disposed of 15% interest in Pine Technology (BVI) Limited to Simply Perfect Group Limited, a company controlled by certain current and former directors of the Company and their family members, for a consideration of US$2,917,000. The difference between the consideration of US$2,917,000 and the net assets attributable to the interest disposed to the non-controlling shareholder of US$2,274,000, amounting to US$643,000, was credited to retained profits.

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	NOTE	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Loss before tax		**(8,848)**	(5,264)
Adjustments for:			
Allowance for doubtful debts (reversed) recognised, net		**(4)**	1,099
Amortisation of development costs		**252**	220
Amortisation of trademarks		**13**	13
Depreciation of property, plant and equipment		**276**	294
Finance costs		**625**	888
Interest income		**(55)**	(28)
Impairment losses on amount due from a joint venture		**1,055**	–
Impairment losses on development costs		**236**	–
Impairment losses on property, plant and equipment		**60**	–
Impairment losses on trademarks		**140**	–
Loss on disposal of property, plant and equipment		**5**	78
Recognition of equity settled share-based payments		**532**	–
Write down of inventories		**5,575**	1,913
Operating cash flow before movements in working capital		**(138)**	(787)
(Increase) decrease in inventories		**(73,872)**	5,648
Decrease (increase) in trade and other receivables, and rental deposits		**58,864**	(15,814)
Increase in loan receivables		**(9,162)**	–
(Increase) decrease in amount due from a joint venture		**(241)**	268
Increase in trade and other payables		**15,860**	10,244
Cash used in operations		**(8,689)**	(441)
Hong Kong Profits Tax paid		**(2)**	–
PRC income tax paid		**(392)**	(166)
Overseas tax (paid) refunded		**(11)**	104
NET CASH USED IN OPERATING ACTIVITIES		**(9,094)**	(503)
INVESTING ACTIVITIES			
Interest received		**34**	10
Purchase of property, plant and equipment		**(858)**	(185)
Development costs incurred		**(240)**	(259)
Additions to trademarks		**(6)**	(4)
Withdrawal of pledged bank deposits		**670**	2,052
Net cash outflow from acquisition of license and other assets through acquisition of a subsidiary	31	**(221)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(621)**	1,614

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	2018	2017
	US$'000	US$'000
FINANCING ACTIVITIES		
Interest paid	**(625)**	(888)
New bank borrowings raised	**34,785**	100,854
Repayments of bank borrowings	**(38,108)**	(109,742)
Repayments of obligations under finance leases	**(20)**	(12)
Loans from directors	**6,154**	4,124
Repayments to directors	**(6,154)**	–
Loan from a non-controlling shareholder of a subsidiary	**–**	3,387
Proceeds from partial disposal of a subsidiary	**–**	2,917
Advances from (repayment to) a joint venture	**374**	(549)
Proceeds from issue of shares	**14,903**	–
NET CASH FROM FINANCING ACTIVITIES	**11,309**	91
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,594**	1,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**7,069**	5,931
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**18**	(64)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**8,681**	7,069

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. GENERAL

PINE Technology Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company and its subsidiaries are together referred to as "the Group". The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Streets Hamilton HM 11, Bermuda and Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong, respectively.

The principal activities of the Group are the manufacturing and sales of high-quality computer components, consumer electronic products and others, and provision of money lending service. The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 39.

The consolidated financial statements are presented in United States dollars ("**US$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 7 *Disclosure Initiative* *(Continued)*

A reconciliation between the opening and closing balances of these items is provided in note 40. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 40, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and Interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods, and

- in relation to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *Financial Instruments Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Deposit placed for a life insurance policy carried at amortised cost as disclosed in note 17 is held within a business model whose objective is to hold the asset in order to collect contractual cash flow. The Group is in the process of assessing whether the contractual terms give rise to cash flow on specified date that is solely payment of principal and interest on the principal outstanding.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 July 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables and loans receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 July 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2018 and the application of HKFRS 15 may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on timing and amounts of revenue recognised in the respective reporting period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of this asset depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of US$1,324,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases* *(Continued)*

In addition, the Group currently considers refundable rental deposits paid of US$267,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment (other than freehold land) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Trademarks

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit placed for a life insurance policy, trade and other receivables, loan receivables, amount due from a joint venture, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio pass the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a joint venture, loan from a non-controlling shareholder of a subsidiary, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non- controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to the defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting consideration is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-marketing additions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulated expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Recoverability of trade receivables

Allowance for doubtful debts is made when there is objective evidence that the recoverability of trade receivables due from customers becomes doubtful. As at 30 June 2018, the carrying amounts of trade receivables are US$11,562,000 (2017: US$70,329,000), out of which US$3,254,000 (2017: US$14,208,000) were past due but not impaired. In determining the recoverability of overdue trade receivables, management makes assumptions and applies judgements in assessing the recoverability of trade receivables, based on certain of these factors including debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers. The directors of the Company believe that there will not be a material change in the estimates or assumptions which are used in the calculations of recoverable amounts of trade receivables. However, when the actual outcome or expectation in the future is less or more than the original estimates, additional or reversal of impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimate impairment of unsecured loan receivables

The Group has designed controls over the grant of new loans to borrowers and performed annual review of existing loan receivables with reference to the credit quality of the borrowers. In determining the recoverability of unsecured loan receivables, the Group considers the credit quality of the unsecured loan receivables with reference to the credit history of the borrowers including default or delay in payment, historical settlements and settlements of loan interests of the unsecured loan receivables subsequent to the end of the reporting period, the financial background of the borrowers and the available financial information of the borrowers at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual outcome or expectation of the recoverability of loan receivables is different from the original estimate, such difference will impact the carrying value of loan receivables and allowance for doubtful debts or write-back in the period in which such estimate has changed. As at 30 June, 2018, the carrying amount of unsecured loan receivables is US$9,162,000 (2017: nil). There is no allowance or impairment loss recognised for both years.

Write-down for inventories

Inventories are stated at the lower of cost and net realisable values. As at 30 June 2018, the carrying amount of inventories is US$100,485,000 (2017: US$32,178,000). During the year ended 30 June 2018, an expense of US$5,575,000 (2017: US$1,913,000) was recognised in profit or loss to write-down the cost of inventories to their net realisable values.

At the end of each reporting period, management carries out the assessment of write-down of inventories by comparing the carrying amounts of inventories with the net realisable values. The net realisable values are extended primarily by reference to the estimated selling prices. Moreover, management also reviews the usability and saleability of inventories at the end of reporting period, and write-down for slow moving inventories. The assessment of write-down for inventories requires significant management judgement in determining net realisable values with reference to estimated selling prices and reviewing the usability and saleability of inventories. If the estimates are inaccurate, write-down for inventories may increase or decrease accordingly.

5. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on the sales of brands of products provided by the Group's operating divisions. The Group is currently organised into three operating divisions, which are the sales of Group's brand products and other brand products and money lending service. These three operating divisions form the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

Group's brand products	–	manufacture and sales of market video graphic cards and other computer components under the Group's brand name
Other brand products	–	distribution of other manufacturers' computer components and consumer electronic products and others
Money lending service	–	money lending service in Hong Kong

During the year ended 30 June 2018, the Group has commenced its money lending business in Hong Kong and an operating segment regarding this money lending services was reported.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

2018

	Group's brand products US$'000	**Other brand products US$'000**	**Money lending service US$'000**	**Consolidated US$'000**
REVENUE				
External sales	**211,869**	**70,179**	**–**	**282,048**
Loan interest income	**–**	**–**	**187**	**187**
	211,869	**70,179**	**187**	**282,235**
SEGMENT RESULT	**(5,089)**	**(232)**	**19**	**(5,302)**
Interest income				**55**
Unallocated corporate expenses				**(2,976)**
Finance costs				**(625)**
Loss before tax				**(8,848)**

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

2017

	Group's brand products US$'000	Other brand products US$'000	Money lending service US$'000	Consolidated US$'000
REVENUE				
External sales	164,115	66,799	–	230,914
SEGMENT RESULT	(4,090)	698	–	(3,392)
Interest income				28
Unallocated corporate expenses				(1,012)
Finance costs				(888)
Loss before tax				(5,264)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents gross loss incurred by or gross profit generated from each segment, net of selling and distribution costs and administration costs directly attributable to each segment without allocation of interest income, corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

No segment assets and liabilities in the measure of the Group's reporting are presented as the information is not reported to the CODM for the purposes of resources allocation and performance assessment.

Revenue from major products and service

The Group's major products are derived from the sales of market video graphic cards, other computer components, consumer electronic products and others, and interest income from money lending service as set out as follows:

	2018 US$'000	2017 US$'000
Sales of market video graphic cards	**209,755**	160,375
Sales of other computer components	**57,160**	54,596
Sales of consumer electronic products and others	**15,133**	15,943
Interest income from money lending service	**187**	–
	282,235	230,914

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's revenue from external customers mainly derives from customers located in Canada, the United States, Asia and Europe, and information about its non-current assets by geographical location of the assets are detailed as below:

	Revenue by external customers		Non-current assets	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Canada	**38,044**	41,869	**123**	163
The United States	**93,581**	62,209	**47**	60
Asia	**93,032**	97,279	**727**	227
Europe	**56,099**	29,440	**6**	14
Others	**1,479**	117	**–**	241
	282,235	230,914	**903**	705

Note: Non-current assets exclude financial instruments and interest in a joint venture.

Information about major customers

Included in revenue arising from sales of Group's brand products of US$211,869,000 (2017: US$164,115,000) are revenue of US$21,189,000 (2017: US$17,239,000) which arose from sales to the Group's largest customer. No customer contributed over 10% of the total sales of the Group.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Group's brand product US$'000	**Other brand product US$'000**	**Money lending service US$'000**	**Total US$'000**
2018				
Allowance for doubtful debts (reversed) recognised, net	**(16)**	**12**	**–**	**(4)**
Amortisation on development costs	**252**	**–**	**–**	**252**
Amortisation on trademarks	**13**	**–**	**–**	**13**
Depreciation of property, plant and equipment	**155**	**55**	**66**	**276**
Impairment losses on amount due from a joint venture	**1,055**	**–**	**–**	**1,055**
Impairment losses on development costs	**236**	**–**	**–**	**236**
Impairment losses on property, plant and equipment	**60**	**–**	**–**	**60**
Impairment losses on trademarks	**140**	**–**	**–**	**140**
Loss on disposal of property, plant and equipment	**5**	**–**	**–**	**5**

	Group's brand product US$'000	Other brand product US$'000	Money lending service US$'000	Total US$'000
2017				
Allowance for doubtful debts recognised, net	1,042	57	–	1,099
Amortisation on development costs	220	–	–	220
Amortisation on trademarks	13	–	–	13
Depreciation of property, plant and equipment	237	57	–	294
Loss on disposal of property, plant and equipment	78	–	–	78

6. OTHER GAINS AND LOSSES

	2018 US$'000	2017 US$'000
Allowance for doubtful debts reversed (recognised), net	4	(1,099)
Foreign exchange loss, net	(134)	(24)
Impairment losses on amount due from a joint venture	(1,055)	–
Impairment losses on development costs	(236)	–
Impairment losses on property, plant and equipment	(60)	–
Impairment losses on trademarks	(140)	–
Loss on disposal of property, plant and equipment	(5)	(78)
	(1,626)	(1,201)

7. FINANCE COSTS

	2018 US$'000	2017 US$'000
Interest on:		
Bank borrowings	590	850
Loans from directors	35	37
Obligations under finance leases	–	1
	625	888

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2018 US$'000	2017 US$'000
Fees:		
Executive directors	354	82
Non-executive directors	–	22
Independent non-executive directors	54	45
	408	149
Other emoluments to executive directors:		
Basic salaries and other benefits	318	515
Contributions to retirement benefits schemes	2	2
Share-based payment expenses	532	–
	852	517
	1,260	666

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

The details of emoluments paid or payable to each of the directors and the chief executive are as follows:

	Directors' fees		Basic salaries and other benefits		Retirement benefits schemes contributions		Share-based payment expenses		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Executive directors										
Mr. Zhang Sanhuo (Note (a))	**161**	10	**163**	–	**-**	–	**266**	–	**590**	10
Mr. Chiu Hang Tai (Note (b))	**32**	31	**155**	271	**2**	2	**-**	–	**189**	304
Mr. Chan Cheuk Ho	**161**	10	**-**	–	**-**	–	**266**	–	**427**	10
Mr. Chiu Samson Hang Chin (Note (c))	**-**	31	**-**	244	**-**	–	**-**	–	**-**	275
	354	82	**318**	515	**2**	2	**532**	–	**1,206**	599
Non-executive directors										
Mr. Chiu Herbert H T (Note (c))	**-**	15	**-**	–	**-**	–	**-**	–	**-**	15
Mr. Li Chi Chung (Note (c))	**-**	7	**-**	–	**-**	–	**-**	–	**-**	7
	-	22	**-**	–	**-**	–	**-**	–	**-**	22
Independent non-executive directors										
Mr. Zhou Chunsheng (Note (d))	**18**	–	**-**	–	**-**	–	**-**	–	**18**	–
Mr. So Stephen Hon Cheung	**18**	15	**-**	–	**-**	–	**-**	–	**18**	15
Mr. Tian Hong (Note (d))	**18**	–	**-**	–	**-**	–	**-**	–	**18**	–
Dr. Chung Wai Ming (Note (c))	**-**	7	**-**	–	**-**	–	**-**	–	**-**	7
Dr. Huang Zhijian (Note (c))	**-**	15	**-**	–	**-**	–	**-**	–	**-**	15
Mr. Li Chi Chung (Note (c))	**-**	8	**-**	–	**-**	–	**-**	–	**-**	8
	54	45	**-**	–	**-**	–	**-**	–	**54**	45
	408	149	**318**	515	**2**	2	**532**	–	**1,260**	666

Notes:

(a) Mr. Zhang Sanhuo is appointed as the chief executive of the Company effective from 3 January 2018.

(b) Mr. Chiu Hang Tai had ceased to act as the chief executive of the Company effective from 4 July 2017 and his emoluments disclosed above included those for services rendered by him as an executive director (2017: the chief executive).

(c) Resigned effective from 4 July 2017.

(d) Appointed on 4 July 2017.

No director or chief executive waived any emoluments during the years ended 30 June 2018 and 30 June 2017.

9. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group include three (2017: two) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining two (2017: three) individuals are as follows:

	2018 US$'000	2017 US$'000
Basic salaries and other benefits	**285**	343
Contributions to retirement benefits schemes	**2**	2
	287	345

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018 Number	2017 Number
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1

During each of the two years ended 30 June 2018 and 30 June 2017, no emolument was paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE (CREDIT)

	2018 US$'000	2017 US$'000
Current tax:		
Hong Kong Profits Tax	**6**	5
The People's Republic of China ("**PRC**")		
Enterprise Income Tax	**339**	155
Other jurisdictions	**6**	13
	351	173
(Over)underprovision in respect of prior years:		
Hong Kong Profits Tax	**(5)**	(440)
PRC Enterprise Income Tax	**(13)**	17
Other jurisdictions	**–**	(48)
	(18)	(471)
Deferred taxation (note 28)	**108**	44
	441	(254)

10. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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

PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits for both years. The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by PRC subsidiary for profits generated after 1 January 2008 at rate of 10% for companies incorporated in the British Virgin Islands ("**BVI**"), which is the beneficial owner of the dividend received.

Other jurisdictions mainly included the United States. Taxation arising in other jurisdictions (of which United States is at 40%) is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the Macao SAR's Offshore Law, Pine Technology (Macao Commercial Offshore) Ltd., a subsidiary of the Company, is exempted for all taxes in Macao, including income tax, industrial tax and stamp duties.

The income tax expense (credit) for the year can be reconciled from the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **US$'000**	2017 US$'000
Loss before tax	**(8,848)**	(5,264)
Tax at the applicable tax rate of 40% (Note)	**(3,539)**	(2,106)
Tax effect of expenses not deductible for tax purpose	**4,762**	2,815
Tax effect of income not taxable for tax purpose	**(30)**	(8)
Utilisation of tax losses previously not recognised	**(986)**	(423)
Tax effect of tax losses not recognised	**381**	–
Tax effect of deductible temporary differences not recognised	**(3)**	(16)
Overprovision in respect of prior years	**(18)**	(471)
Deferred tax provided for withholding tax on income derived in the PRC	**108**	44
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(295)**	(99)
Others	**61**	10
Income tax expense (credit) for the year	**441**	(254)

Note: The tax rate in the jurisdiction where the operation of the Group substantially based is used as the applicable tax rate.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

11. LOSS FOR THE YEAR

	2018 US$'000	2017 US$'000
Loss for the year has been arrived at after charging (crediting):		
Amortisation charges:		
Development costs (included in cost of sales)	**252**	220
Trademarks	**13**	13
Auditor's remuneration	**488**	381
Cost of inventories recognised as an expense	**267,549**	218,219
Depreciation of property, plant and equipment	**276**	294
Interest income on bank deposits	**(34)**	(10)
Interest income on deposit placed for a life insurance policy	**(21)**	(18)
Operating lease rentals in respect of rented premises	**1,238**	1,072
Research and development costs recognised as expense	**78**	93
Staff costs:		
Directors' and chief executive's emoluments (note 8)	**1,260**	666
Other staff costs	**7,149**	6,657
	8,409	7,323
Write down of inventories	**5,575**	1,913

12. LOSS PER SHARE

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

	2018 US$'000	2017 US$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(8,235)**	(4,758)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,059,106**	921,585

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Furniture, fixtures and equipment US$'000	Computer equipment US$'000	Total US$'000
COST						
At 1 July 2016	4,842	14,139	237	913	2,491	22,622
Exchange adjustments	–	(87)	–	1	(3)	(89)
Additions	27	146	–	8	4	185
Disposals	–	(591)	–	–	–	(591)
Written off	–	(16)	–	(1)	–	(17)
At 30 June 2017	4,869	13,591	237	921	2,492	22,110
Exchange adjustments	(6)	121	(1)	1	(9)	106
Additions	–	51	795	11	1	858
Disposals	–	(13)	–	(4)	–	(17)
At 30 June 2018	4,863	13,750	1,031	929	2,484	23,057
DEPRECIATION AND IMPAIRMENT						
At 1 July 2016	4,630	14,109	152	860	2,408	22,159
Exchange adjustments	–	(85)	–	1	(3)	(87)
Provided for the year	160	2	31	35	66	294
Eliminated upon disposals	–	(513)	–	–	–	(513)
Eliminated upon written off	–	(16)	–	(1)	–	(17)
At 30 June 2017	4,790	13,497	183	895	2,471	21,836
Exchange adjustments	(6)	59	(1)	–	(8)	44
Provided for the year	21	137	97	11	10	276
Impairment losses recognised in profit or loss	–	6	19	27	8	60
Eliminated upon disposals	–	(8)	–	(4)	–	(12)
At 30 June 2018	4,805	13,691	298	929	2,481	22,204
CARRYING VALUES						
At 30 June 2018	58	59	733	–	3	853
At 30 June 2017	79	94	54	26	21	274

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

	Estimated useful lives
Leasehold improvements	2 to 10 years
Plant and machinery	2 to 10 years
Motor vehicles	4 to 6 years
Furniture, fixtures and equipment	4 to 6 years
Computer equipment	4 to 5 years

As at 30 June 2017, the carrying values of furniture, fixtures and equipment included an amount of US$15,000 in respect of assets held under finance leases.

During the year ended 30 June 2018, the directors conducted a review of the Group's property, plant and equipment, and determined that the recoverable amounts of certain assets under group's brand products segment were minimal. Full impairment losses in respect of these assets of US$60,000 have been recognised in profit or loss for the year ended 30 June 2018.

The Group has pledged leasehold improvements, motor vehicles, furniture, fixtures and equipment and computer equipment with an aggregate carrying value of approximately US$124,000 (30 June 2017: US$202,000) to secure general banking facilities granted to the Group.

14. DEVELOPMENT COSTS

	US$'000
COST	
At 1 July 2016	4,771
Exchange adjustments	(97)
Additions	259
At 30 June 2017	4,933
Exchange adjustments	78
Additions	240
At 30 June 2018	5,251
AMORTISATION AND IMPAIRMENT	
At 1 July 2016	4,565
Exchange adjustments	(94)
Provided for the year	220
At 30 June 2017	4,691
Exchange adjustments	72
Provided for the year	252
Impairment loss recognised in the year	236
At 30 June 2018	5,251
CARRYING VALUES	
At 30 June 2018	–
At 30 June 2017	242

The amortisation period for development costs is two years.

At the end of each reporting period, the directors of the Company conducted review on the Group's development cost and determined that the recoverable amounts of the development costs under group's brand products segment were minimal. Full impairment losses in respect of these development costs of US$236,000 have been recognised in profit or loss for the year ended 30 June 2018.

15. TRADEMARKS

	US$'000
COST	
At 1 July 2016	252
Additions	4
At 30 June 2017	256
Additions	6
At 30 June 2018	262
AMORTISATION AND IMPAIRMENT	
At 1 July 2016	93
Provided for the year	13
At 30 June 2017	106
Provided for the year	13
Impairment loss recognised in the year	140
At 30 June 2018	259
CARRYING VALUES	
At 30 June 2018	3
At 30 June 2017	150

The above trademarks have finite useful lives and are amortised on a straight-line basis over the shorter of the remaining useful lives or twenty years.

At the end of each reporting period, the directors of the Company conducted review on the Group's trademarks and determined that the recoverable amounts of the trademarks under group's brand products segment were minimal. Full impairment losses in respect of these trademarks amounted to US$140,000 have been recognised in profit or loss for the year ended 30 June 2018.

16. INTEREST IN A JOINT VENTURE

	2018 **US$'000**	2017 US$'000
Cost of investment in a joint venture – unlisted	**26**	26
Share of post-acquisition losses	**(26)**	(26)
	–	–

Note: As at 30 June 2018 and 30 June 2017, the Group had the following joint venture:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2018	2017	**2018**	2017	
XFX Technology LLC	United Arab Emirates	Paid up capital	**49%**	49%	**50%**	50%	Wholesale and distribution of computer components

Summarised financial information of the Group's immaterial joint venture:

	2018 **US$'000**	2017 US$'000
The Group's share of loss and total comprehensive expense for the year	**–**	–

17. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

	2018 US$'000	2017 US$'000
Deposit placed for a life insurance policy		
– due after one year	**484**	463

The Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is approximately US$800,000 (2017: US$800,000). At inception of the life insurance policy, the Group is required to pay an upfront payment of US$400,000, including an insurance premium charge of US$24,000. The Group may request full surrender of the policy at any time and receive cash back based on the value of the life insurance policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the insurance premium charge (the "**Cash Value**"). If such withdrawal is made between the 1st to 20th policy year, a pre-determined specified surrender charge would be imposed on the Group.

The insurance company will pay the Group a guaranteed interest rate of 3% per annum, which is also the effective interest rate for the deposit placed on initial recognition, determined by discounting the estimated future cash receipts through the expected life of the insurance policy of 29 years, excluding the financial effect of surrender charge.

The directors considered that the possibility of terminating the policy during the 1st to 20th policy year was low and the expected life of the life insurance policy remained unchanged since the initial recognition, accordingly, the difference between the carrying amount of deposit placed for a life insurance policy as at 30 June 2018 and 30 June 2017 and the Cash Value of the life insurance policy is insignificant.

18. INVENTORIES

	2018 US$'000	2017 US$'000
Raw materials	**47,749**	17,416
Work in progress	**2,835**	4,491
Finished goods	**49,901**	10,271
	100,485	32,178

The Group has pledged inventories with carrying amount of approximately US$12,432,000 (30 June 2017: US$8,174,000) to secure general banking facilities granted to the Group.

19. TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables	**11,859**	73,781
Less: Allowance for doubtful debts	**(297)**	(3,452)
	11,562	70,329
Deposits, prepayments and other receivables	**1,103**	1,006
	12,665	71,335

The Group allows a credit period of 1 to 180 days (2017: 1 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2018 US$'000	2017 US$'000
1 to 30 days	**7,478**	19,331
31 to 60 days	**2,112**	12,745
61 to 90 days	**1,142**	10,618
Over 90 days	**830**	27,635
	11,562	70,329

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating and limits for each customer. Limits attributed to customers are reviewed once a year. 71% (2017: 80%) of the trade receivables are neither past due nor impaired that are in good credit quality as long credit periods are granted to the respective customers, who have long business relationship with the Group and strong financial position.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$3,254,000 (2017: US$14,208,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss. Although no collateral over these balances is held, the Group has assessed the recoverability of trade receivables with reference to the debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the customers and credit assessment of customers, and considered that the default risk is low, and accordingly no impairment has been provided.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables (by due date) which are past due but not impaired:

	2018 **US$'000**	2017 US$'000
Overdue:		
1 to 30 days	**2,030**	11,889
31 to 60 days	**516**	1,689
61 to 90 days	**614**	293
Over 90 days	**94**	337
Total	**3,254**	14,208

Movements in the allowance for doubtful debts:

	2018 **US$'000**	2017 US$'000
At 1 July	**3,452**	2,450
Allowance for doubtful debts (reversed) recognised, net	**(4)**	1,099
Amounts written off as uncollectible	**(3,151)**	(97)
At 30 June	**297**	3,452

Allowance for doubtful debts is considered on an individual basis and provided for those non-recoverable. The Group does not hold any collateral over these balances. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Trade and other receivables with carrying amount of approximately US$10,885,000 (30 June 2017: US$13,134,000) are pledged to secure general banking facilities granted to the Group.

20. LOAN RECEIVABLES

	2018 **US$'000**	2017 US$'000
Fixed-rate loan receivables	**9,162**	–

Unsecured loan receivables carry fixed-rate interest ranging from 12% to 18% per annum and with maturity ranging from three to six 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 of the Company believe that there is no allowance or impairment required.

21. AMOUNTS DUE FROM/TO A JOINT VENTURE AND LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

During the year ended 30 June 2018, the directors conducted a review of the Group's amount due from a joint venture by reference to the latest financial information of the joint venture and considered that the amount is non-recoverable. Full impairment losses of US$1,055,000 have been recognised in profit or loss during the year ended 30 June 2018.

22. PLEDGED BANK DEPOSITS

The pledged bank deposits had been placed in designated bank accounts in favour of the banks as part of the security for the short-term banking facilities granted to the Group.

The pledged bank deposits, which carry variable interest rates ranging from 0.001% to 0.02% (2017: 0.001% to 0.02%) per annum, will be released upon settlement of relevant bank borrowings.

23. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.001% to 0.25% (2017: 0.001% to 0.25%) per annum with an original maturity of three months or less.

24. 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, and other payables:

	2018	2017
	US$'000	US$'000
1 to 30 days	**33,021**	16,399
31 to 60 days	**10,134**	11,332
61 to 90 days	**1,595**	1,383
Over 90 days	**1,118**	497
Trade payables	**45,868**	29,611
Deposits in advance, accruals and other payables	**2,895**	3,346
	48,763	32,957

The average credit period on purchases of goods is 30 to 60 days (2017: 30 to 60 days).

25. OBLIGATIONS UNDER FINANCE LEASES

As at 30 June 2017, it is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5% per annum. No arrangement have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable under finance leases:				
Within one year	**–**	22	**–**	20
In more than one year but not more than two years	**–**	–	**–**	–
	–	22	**–**	20
Less: Future finance charges	**–**	(2)	**N/A**	N/A
Present value of lease obligations	**–**	20	**–**	20

26. SECURED BANK BORROWINGS

	2018 US$'000	2017 US$'000
Trust receipt loans	**5,977**	8,434
Bank loans	**7,357**	8,223
	13,334	16,657
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
– Within one year	**13,334**	16,657

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings are 3.25% to 5.20% (2017: 2.77% to 4.80%) per annum.

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**Interest rate per annum**	**2018 US$'000**	2017 US$'000
Hong Kong dollars ("**HK$**") (Note)	2017: Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.5%	**–**	1,326
US$	London Interbank Offered Rate ("**LIBOR**") plus 1.75% (2017: 1.75%)	**11,977**	13,037
Canadian dollars ("**CAD**")	Canadian Prime Rate plus 1.75% (2017: 1.95%)	**1,357**	2,294
		13,334	16,657

Note: These borrowings are denominated in currencies other than functional currencies of the relevant group entities.

27. SHARE CAPITAL

Details of the share capital of the Company were as follows:

	Number of shares	Amounts HK$'000	US$ equivalent US$'000
Ordinary shares of HK$0.1 each:			
Authorised			
At 1 July 2016, 30 June 2017 and 30 June 2018	2,000,000,000	200,000	25,747
Issued and fully paid			
At 1 July 2016 and 30 June 2017	921,584,783	92,159	11,851
Shares issued on 1 September 2017 (Note (a))	43,000,000	4,300	551
Shares issued on 11 October 2017 (Note (b))	141,316,956	14,131	1,812
At 30 June 2018	1,105,901,739	110,590	14,214

Notes:

(a) On 30 August 2017, the Company entered into subscription agreements with independent third parties pursuant to which the Company has conditionally agreed to allot and issue, and subscribers has conditionally agreed to subscribe, in total, 43,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per subscription share. The subscription shares have been allotted and issued to the subscribers on 1 September 2017 upon fulfilment of all conditions as stipulates on the subscription agreement.

(b) On 21 September 2017, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to allot and issue, and the placing agent has conditionally agreed to place up to 141,316,956 placing shares of HK$0.64 per placing share. The placing shares have been allotted and issued date on 11 October 2017 upon fulfilment of all conditions as stipulates on the placing agreement.

28. DEFERRED TAX LIABILITY

The following are the deferred tax liability recognised and movements thereon during the current and prior year:

	Withholding tax on income derived in the PRC US$'000
At 1 July 2016	19
Charged to profit or loss	44
At 30 June 2017	63
Charged to profit or loss	108
At 30 June 2018	171

At 30 June 2018, the Group has estimated tax losses of approximately US$4,344,000 (2017: US$5,857,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$2,298,000 (2017: US$1,345,000) and US$107,000 (2017: US$707,000) that will expire ranging from 2032 to 2038 (2017: 2032 to 2037) and 2030 to 2035 (2017: 2030 to 2035) respectively. Other losses may be carried forward indefinitely.

At 30 June 2018, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries of approximately US$4,557,000 (2017: US$4,339,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 30 June 2018, the Group has deductible temporary differences of US$1,000,000 (2017: US$1,007,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. SHARE OPTIONS

Pursuant to a resolution passed on 22 November 2013, the Company has adopted a new share option scheme (the "**New Scheme**"), for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, expired on 21 November 2023. No further options can be granted under the share option scheme which was adopted on 16 April 2003 (the "**Old Scheme**") which expired on 15 April 2013.

The New Scheme and the Old Scheme shall be valid and effective until the respective expiry dates, after which period no further share options will be granted but the provisions of these schemes shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto. Under the New Scheme and the Old Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the respective date of shareholders' approval of each scheme (the "**Scheme Mandate Limit**") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and the Old Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per option. An option may be exercised in accordance with the terms of the New Scheme and the Old Scheme at any time during the respective effective period of each scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the five business days immediately preceding the date of grant, and the nominal value.

29. SHARE OPTIONS *(Continued)*

As disclosed in the announcement dated 22 September 2017, there were 12,000,000 share options granted to certain Directors with an exercise price HK$0.83 per share pursuant to the New Scheme. Details of the share options outstanding under the New Scheme during the year ended 30 June 2018 to subscribe for the shares in the Company are as follows:

Granted to	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK$	Number of share options at 1 July 2017	Grant during the year	Number of share options as at 30 June 2018
Mr. Zhang Sanhuo	Chairman and Executive Director	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83	–	1,999,800	1,999,800
				22.9.2018 to 21.9.2027	0.83	–	1,999,800	1,999,800
				22.9.2019 to 21.9.2027	0.83	–	2,000,400	2,000,400
						–	6,000,000	6,000,000
Mr. Chan Cheuk Ho	Executive Director	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83	–	1,999,800	1,999,800
				22.9.2018 to 21.9.2027	0.83	–	1,999,800	1,999,800
				22.9.2019 to 21.9.2027	0.83	–	2,000,400	2,000,400
						–	6,000,000	6,000,000
Exercisable at the end of the year								3,999,600
Weighted average exercise price								0.83

29. SHARE OPTIONS *(Continued)*

Details of the share options granted under the Old Scheme during the year ended 30 June 2017 to subscribe for the shares in the Company are as follows:

Granted to	Position(s) held in the Company	Date of grant	Validity period	Exercisable period (both dates inclusive)	Exercise price HK$	Number of share options at 1 July 2016	Cancelled during the year (Note)	Number of share options as at 30 June 2017
Employees	N/A	25.3.2011	25.3.2011 to 24.3.2013	25.3.2013 to 24.3.2021	0.207	1,000,000	(1,000,000)	–
Exercisable at the end of the year								N/A
Weighted average exercise price								N/A

Note: All the outstanding share options granted by the Company under its share option schemes were cancelled under the mandatory unconditional offer in cash upon the completion of a sale and purchase agreement dated 22 March 2017 in relation to the sale and purchase of the shares of the Company, which took place on 5 June 2017. Details of which were set out in the announcements published by the Company dated 24 March 2017 and 5 June 2017.

The estimated fair values of the options granted on 22 September 2017 are HK$0.4812.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2018
Weighted average share price Exercise price	HK$0.83
Expected volatility	47.02%
Expected life	10 years
Risk-free rate	1.64%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For the year ended 30 June 2018, the Group has recognised approximately US$532,000 (30 June 2017: nil) as share-based payment expense in the profit or loss.

30. PLEDGE OF ASSETS

Assets of certain subsidiaries with the following carrying amounts have been pledged to secure the Group's borrowings of US$7,357,000 (2017: US$7,794,000).

	2018	2017
	US$'000	US$'000
Floating charges:		
Property, plant and equipment	**124**	202
Inventories	**12,432**	8,174
Trade and other receivables	**10,885**	13,134
Bank balances and cash	**572**	3,243
	24,013	24,753

In addition, deposit placed for a life insurance policy of US$484,000 (2017: deposit placed for a life insurance policy of US$463,000 and pledged bank deposits of US$670,000) as disclosed in the consolidated statement of financial position have been pledged to secure the Group's borrowings of US$5,977,000 (2017: US$8,863,000).

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 1 February 2018, the Group acquired 100% of the issued share capital of Rong Xin Finance Limited ("**Rong Xin**") for consideration of HK$1,880,382 (equivalent to US$241,000), which was satisfied in cash, from a related company with common control by a director. Rong Xin was acquired for its license for money lending business. At the date of acquisition, Rong Xin only held the money lending license but had not yet commenced any business.

Consideration transferred

	US$'000
Cash	241

Acquisition-related costs amounting to HK$22,000 (equivalent to US$3,000) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the general and administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	US$'000
Bank balances and cash	20
Trade and other receivables, and rental deposits	225
Trade and other payables	(4)
Total identifiable net assets	241

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

Net cash outflow on acquisition of Rong Xin

	US$'000
Cash consideration paid	241
Less: Cash and cash equivalents acquired	(20)
	221

32. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2018 **US$'000**	2017 US$'000
Within one year	**900**	736
In the second to fifth year inclusive	**424**	713
	1,324	1,449

Operating lease payments represent rentals payable by the Group for certain of its office properties, staff quarters and factory.

Leases are negotiated for terms ranging from one to six years (2017: one to six years) at initial and rentals are fixed for the period of the lease.

33. RETIREMENT BENEFITS SCHEMES

The Group operated defined contribution retirement benefit schemes in various regions outside Hong Kong for all qualifying employees and the Group also operated a defined contribution scheme for its qualifying employees in Hong Kong prior to 1 December 2000 (collectively "**Defined Contribution Schemes**"). The assets of the Defined Contribution Schemes are held separately from those of the Group in funds under the control of independent trustees. Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The Defined Contribution Schemes are funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Scheme, the Group contributes 5% of relevant payroll costs capped at HK$1,500 per month to the scheme which contribution is matched by the employee, depending on the length of service with the Group. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits schemes contributions in respect of the Defined Contribution Schemes and the MPF Scheme charged to the profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

The details of retirement benefits schemes contributions for the Group's employees, net of forfeited contributions, which have been dealt with in the profit or loss of the Group are as follows:

	2018 **US$'000**	2017 US$'000
Retirement benefits schemes contributions	**31**	42

34. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with a joint venture:

	2018 US$'000	2017 US$'000
Sales of goods	**20,769**	5,462

Balances with such joint venture are disclosed in the consolidated statement of financial position and related notes.

(b) The remuneration of executive and non-executive directors and other members of key management during the year was as follows:

	2018 US$'000	2017 US$'000
Short-term employee benefits	**1,543**	1,007
Post-employment benefits	**4**	4
	1,547	1,011

(c) During the year, the Group entered into the following transaction within a related company in which a director has beneficial interest.

	2018 US$'000	2017 US$'000
Acquisition of assets through acquisition of a subsidiary	**241**	–

Details of the transaction are disclosed in note 31.

(d) During the year ended 30 June 2018, loans from directors amounted to HK$1,000,000 (equivalent to US$128,000) and HK$47,000,000 (equivalent to US$6,026,000) carried interests of 5% per annum with maturity of 1.9 months and HIBOR plus 1.5% per annum with maturity of 3 months, respectively. The amounts were repaid to the directors during the year with interest expense of US$35,000.

During the year ended 30 June 2017, loans from a director amounted to, in total, HK$32,000,000 (equivalent to US$4,103,000) carried interests of HIBOR plus 1.5% per annum with maturity of 2 years. The amounts were settled by a deed of assignment dated 5 June 2017 as details disclosed in note 41(b).

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY

	2018 US$'000	2017 US$'000
Non-current Assets		
Property, plant and equipment	**1**	–
Investment in subsidiaries	**6,406**	7,724
Trademark	**3**	4
	6,410	7,728
Current Assets		
Other receivables	**47**	–
Loans to subsidiaries	**11,153**	–
Amounts due from subsidiaries	**44,843**	42,560
Bank balances and cash	**320**	14
	56,363	42,574
Current Liability		
Other payables	**167**	21
Net Current Assets	**56,196**	42,553
Net Assets	**62,606**	50,281
Capital and Reserves		
Share capital	**14,214**	11,851
Share premium and reserves	**48,392**	38,430
Total Equity	**62,606**	50,281

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES OF THE COMPANY *(Continued)*

The followings are the movements of the Company's reserves:

	Share premium	Surplus account	Share options reserve	Retained profits (accumulated losses)	Total
	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000
At 1 July 2016	27,083	9,036	14	765	36,898
Profit and total comprehensive income for the year	–	–	–	1,532	1,532
Cancellation of share options	–	–	(14)	14	–
At 30 June 2017	27,083	9,036	–	2,311	38,430
Loss and total comprehensive expense for the year	–	–	–	(3,110)	(3,110)
Ordinary share issued	12,540	–	–	–	12,540
Recognition of equity-settled share-based payments	–	–	532	–	532
At 30 June 2018	39,623	9,036	532	(799)	48,392

Note: Surplus account of the Group represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve accounts of Pine Technology (BVI) Limited, the subsidiary which was acquired by the Company pursuant to the group reorganisation in previous years.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes loan from a non-controlling shareholder of a subsidiary and bank borrowings and as disclosed in notes 21 and 26 respectively, net of cash and cash equivalents, and equity attributable to the owner of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 US$'000	2017 US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**30,700**	80,444
Financial liabilities		
At amortised cost	**68,730**	56,158

b. Financial risk management objectives and policies

The Group's financial instruments include deposit placed for a life insurance policy, trade and other receivables, loan receivables, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a joint venture, loan from a non-controlling shareholder of a subsidiary and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations.

The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Certain financial assets and liabilities of the Group are denominated in foreign currencies. The management monitors foreign exchange exposure and will further consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities including inter-company balances at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Group				
HK$	**363**	1,660	**8,958**	12,577
US$	**28**	2,209	**1,357**	3,613
Inter-company balances				
Renminbi ("**RMB**")	**9,867**	2,111	**–**	–

Sensitivity analysis

In the opinion of directors of the Company, since HK$ is pegged to US$, the exposure to exchange fluctuation is limited and hence no sensitivity analysis in relation to HK$ against US$ is presented. The Group therefore mainly exposes to the currency of US$ and RMB, when Canadian dollars ("**CAD**") and US$ are the functional currencies of the relevant subsidiaries, respectively.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in US$ relative to CAD and in RMB relative to US$.

5% is the sensitivity rate used for the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and also inter-company balances denominated in foreign currencies and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

The following table details the Group's sensitivity to a 5% change when US$ strengthens 5% against CAD or RMB strengthens 5% against US$. There would be an equal and opposite impact when US$ weakens 5% against CAD or RMB weakens 5% against US$.

	Increase in loss	
	2018	2017
	US$'000	US$'000
Group		
US$ against CAD	**(46)**	(59)
Inter-company balances		
RMB against US$	**493**	106

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank borrowings. The management will consider hedging significant interest rate exposure should the need arise.

The management considered that the exposure to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances is minimal, accordingly, no sensitivity analysis is presented for both years.

In addition, the Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and Canadian Prime Rate arising from the Group's borrowings denominated in HK$, US$ and CAD.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post tax loss for the year ended 30 June 2018 would increase/decrease by US$15,000 (2017: US$52,000).

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and detailed in note 37 (a) above.

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers of certain foreign countries. The top five customers of the Group accounted for about 31% (2017: 46%) of the Group's trade receivables as at 30 June 2018. For money lending services segment, the Group's loan receivables from four (2017: nil) borrowers represent 100% of loan receivables. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and deposit placed for a life insurance policy is limited because the counterparties are banks and financial institution with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flow. To the extent interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	On demand or less than 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 June
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2018								
Trade and other payables	**-**	**46,767**	**1,118**	**-**	**-**	**-**	**47,885**	**47,885**
Bank borrowings at variable interest rate	**4.18**	**13,334**	**-**	**-**	**-**	**-**	**13,334**	**13,334**
Loan from a non-controlling shareholder of a subsidiary	**-**	**7,511**	**-**	**-**	**-**	**-**	**7,511**	**7,511**
		67,612	**1,118**	**-**	**-**	**-**	**68,730**	**68,730**
2017								
Trade and other payables	–	31,444	499	–	–	–	31,943	31,943
Obligations under finance leases	5.10	6	6	5	5	–	22	20
Bank borrowings at variable interest rate	3.79	16,657	–	–	–	–	16,657	16,657
Amount due to a joint venture	–	27	–	–	–	–	27	27
Loan from a non-controlling shareholder of a subsidiary	–	7,511	–	–	–	–	7,511	7,511
		55,645	505	5	5	–	56,160	56,158

Bank borrowings with a repayment on demand clause are included in the "on demand or less than three months" time band in the above maturity analysis. As at 30 June 2018 and 30 June 2017, the carrying amounts of these bank borrowings amounted to US$13,334,000 and US$16,657,000 respectively.

37. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

		Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments		
	Weighted average effective interest rate	**Less than 3 months**	**Total undiscounted cash outflows**	**Carrying amount**
	%	US$'000	US$'000	US$'000
30 June 2018	**4.18**	**13,376**	**13,376**	**13,334**
30 June 2017	3.79	16,718	16,718	16,657

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurements of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

38. DIVIDEND

No dividend had been paid or proposed for both years presented. The directors of the Company do not recommend a dividend in respect of the year ended 30 June 2018.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2018 and 2017 were as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company (Note (a))		Principal activities
			2018	2017	
			%	%	
Advance Always Limited	BVI	US$1	**85**	85	Investment holding
All Advance Limited	BVI	US$1	**85**	85	Investment holding
Best Standard Investment Limited	Hong Kong	HK$10,000	**100**	–	Investment holding
City Moon Limited	Samoa	US$100	**100**	–	Investment holding
Colour Stream Holdings Limited	Samoa	US$100	**100**	–	Investment holding
Eastcom, Inc.	The United States	US$7,001,000	**85**	85	Wholesale and distribution of computer components
Elite View Development Ltd.	Hong Kong	HK$1	**85**	85	Provision of services to group companies
Lizan Development Co., Limited	Hong Kong	HK$10,000	**100**	–	Investment holding
Pan Eagle Limited	BVI	US$100	**85**	85	Investment holding
Pine Group Hong Kong Limited	Hong Kong	HK$2	**85**	85	Investment holding
Pine Group Limited	BVI	US$10,000 Common shares and US$2,995,729 Class A shares	**85**	85	Investment holding
Pine Technology (Macao Commercial Offshore) Ltd.	Macao	Patacas 100,000	**85**	85	Wholesale and distribution of computer components
Pine Technology Limited	Hong Kong	HK$3	**85**	85	Wholesale and distribution of computer components
Pine Technology (BVI) Limited	BVI	US$10,000	**85**	85	Investment holding

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company (Note (a))		Principal activities
			2018 **%**	2017 %	
Pineview Industries Limited (Note (b))	Hong Kong	HK$1,000 Ordinary shares and HK$2,400,000 Non-voting 5% deferred shares	**85**	85	Provision of production and other facilities to group companies
Rong Xin Finance Limited	Hong Kong	HK$10,000	**100**	–	Money Lending Business
Samtack Inc.	Canada	CAD5 Common shares and CAD2,041,250 Class A shares	**85**	85	Wholesale and distribution of computer components
XFX Creation Inc.	BVI	US$1	**85**	85	Trademarks holding
東莞嘉耀電子有限公司(Note (c))	PRC	RMB26,265,224 contributed capital	**85**	85	Manufacturing of electronics and computer digital audio device

Notes:

(a) The Company directly holds 85% (2017: 85%) of equity interest in Pine Technology (BVI) Limited and 100% (2017: nil) of equity interest in Colour Stream Holdings Limited. The interests of all other companies are indirectly held by the Company.

(b) Deferred shares of Pineview Industries Limited amounting to HK$1,800,000 are not held by the Group. The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the company only after the distribution of HK$1,000 million, as specified in the Articles of Association, to holders of ordinary shares.

(c) The subsidiary is wholly foreign-owned enterprise registered in the PRC.

The directors of the Company are of the opinions that a complete list of the particulars of all subsidiaries of the Company will be excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the result of the Group.

None of the subsidiaries had any debt securities outstanding at 30 June 2018 and 30 June 2017 or at any time during the year.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interest

The table below shows details of non-wholly-owned subsidiary of the Company that has material non-controlling interest:

Name of subsidiary	Place of incorporation	Proportion of ownership and voting rights held by non-controlling interests		Loss allocated to non-controlling interest		Accumulated non-controlling interest	
		2018	2017	**2018**	2017	**2018**	2017
				US$'000	US$'000	**US$'000**	US$'000
Pine Technology (BVI) Limited	BVI	**15%**	15%	**1,054**	252	**1,031**	2,062

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018	2017
	US$'000	US$'000
Current assets	**118,408**	112,434
Non-current assets	**651**	1,165
Current liabilities	**(112,009)**	(99,787)
Non-current liabilities	**(171)**	(63)
	6,879	13,749
Equity attributable to owners of the Company	**5,848**	11,687
Non-controlling interest of Pine Technology (BVI) Limited	**1,031**	2,062
	6,879	13,749

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interest *(Continued)*

	2018 US$'000	2017 US$'000
Revenue and other income	**282,601**	231,015
Expenses	**(289,624)**	(236,004)
Loss for the year	**(7,023)**	(4,989)
Loss attributable to owners of the Company	**(5,969)**	(4,737)
Loss attributable to the non-controlling interest of Pine Technology (BVI) Limited	**(1,054)**	(252)
Loss for the year	**(7,023)**	(4,989)
Other comprehensive income (expense) attributable to owners of the Company	**130**	(133)
Other comprehensive income attributable to non-controlling interest of Pine Technology (BVI) Limited	**23**	40
Other comprehensive income (expense) for the year	**153**	(93)
Total comprehensive expense attributable to owners of the Company	**(5,839)**	(4,870)
Total comprehensive expense attributable to non-controlling interest of Pine Technology (BVI) Limited	**(1,031)**	(212)
Total comprehensive expense for the year	**(6,870)**	(5,082)
Net cash inflow (outflow) from operating activities	**1,645**	(501)
Net cash inflow from investing activities	**421**	1,614
Net cash (outflow) inflow from financing activities	**(3,594)**	108
Net cash (outflow) inflow	**(1,528)**	1,221

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loans from directors US$'000	Amount due to a joint venture US$'000	Loan from a non-controlling shareholder of a subsidiary US$'000	Obligations under finance leases US$'000	Bank borrowings US$'000	Total US$'000
At 1 July 2017	–	27	7,511	20	16,657	24,215
Financing cash flows	(35)	374	–	(20)	(3,913)	(3,594)
Interest expenses	35	–	–	–	590	625
Non-cash transaction (note 41 (a))	–	(401)	–	–	–	(401)
At 30 June 2018	–	–	7,511	–	13,334	20,845

41. MAJOR NON-CASH TRANSACTION

(a) Pursuant to a debt transfer agreement dated 30 June 2018 entered by the Group and a joint venture, the Group has a legally enforceable right to set off the amount due to a joint venture amounting to US$401,000 against the amount due from a joint venture on a net basis.

(b) Pursuant to a deed of assignment dated 5 June 2017 entered by a director of the Company, a non-controlling shareholder of a subsidiary and Pine Technology (Macao Commercial Offshore) Limited, a subsidiary of the Company, the director had assigned to the non-controlling shareholder of a subsidiary all his rights, titles, benefits and interests in a loan to Pine Technology (Macao Commercial Offshore) Limited amount to HK$32,000,000 (equivalent to US$4,103,000).

42. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 July 2018, the Group entered into a sale and purchase agreement with independent third parties to acquire the entire issued share capital of a company with subsidiaries principally engaged in computer software and hardware and system development for e-government and e-commerce solutions in the PRC, for a consideration of HK$220,800,000 (equivalent to US$28,308,000). The consideration was settled by allotting and issuing 220,800,000 new ordinary shares of the Company to the independent third parties at the date of completion on 23 July 2018. The Company is in the process of quantifying the financial impact of the transaction. Since the fair values of the identifiable assets and liabilities of this group company at the date of completion have yet to be finalised, the Company cannot determine the effect of the transaction on the results and financial position of the Group with reasonable certainty at this stage. Details of the transaction are set out in an announcement of the Company dated 23 July 2018.

Five Years Financial Summary

	Year ended 30 June				
	2014	2015	2016	2017	**2018**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Revenue	233,705	169,576	155,488	230,914	**282,235**
Cost of sales	(213,962)	(161,066)	(148,857)	(220,352)	**(273,124)**
Gross profit	19,743	8,510	6,631	10,562	**9,111**
Other income	264	279	339	102	**588**
Selling and distribution expenses	(5,154)	(4,138)	(3,418)	(3,399)	**(3,756)**
General and administrative expenses	(12,887)	(10,908)	(9,658)	(10,440)	**(12,540)**
Other gains and losses	18	1,365	(102)	(1,201)	**(1,626)**
Finance costs	(956)	(874)	(741)	(888)	**(625)**
Share of result of a joint venture	–	–	(26)	–	**–**
Profit (loss) before tax	1,028	(5,766)	(6,975)	(5,264)	**(8,848)**
Income tax (expense) credit	(219)	(801)	613	254	**(441)**
Profit (loss) for the year	809	(6,567)	(6,362)	(5,010)	**(9,289)**

	As at 30 June				
	2014	2015	2016	2017	**2018**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS, LIABILITIES AND EQUITY					
Total assets	129,021	119,294	111,190	113,617	**132,394**
Total liabilities	(57,346)	(46,635)	(45,700)	(57,310)	**(69,788)**
	71,675	72,659	65,490	56,307	**62,606**
Equity attributable to owners of the Company	71,675	72,659	65,490	54,245	**61,575**

COMMITTED TO GAMING

PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)
(於百慕達註冊成立之有限公司)
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