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PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Director(s)**”) of PINE Technology Holdings Limited (the “**Company**”) presents the audited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2020 (the “**Year**”) and the audited consolidated statement of financial position of the Group as at 30 June 2020 together with the comparative figures for the year ended 30 June 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Revenue	2	109,386	167,070
Cost of sales		<u>(110,650)</u>	<u>(183,514)</u>
Gross loss		(1,264)	(16,444)
Other income		301	239
Other gains and losses	3	(3,228)	(9,154)
Selling and distribution expenses		(2,806)	(3,198)
General and administrative expenses		<u>(11,796)</u>	<u>(14,712)</u>
Operating loss		(18,793)	(43,269)
Finance costs		<u>(347)</u>	<u>(509)</u>

* for identification purposes only

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Loss before income tax		(19,140)	(43,778)
Income tax (expense)/credit	4	<u>(113)</u>	<u>279</u>
Loss for the year	5	<u>(19,253)</u>	<u>(43,499)</u>
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(346)</u>	<u>(310)</u>
Total other comprehensive loss for the year		<u>(346)</u>	<u>(310)</u>
Total comprehensive loss for the year		<u>(19,599)</u>	<u>(43,809)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(17,318)</u>	(38,733)
Non-controlling interests		<u>(1,935)</u>	<u>(4,766)</u>
		<u>(19,253)</u>	<u>(43,499)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Company		<u>(17,608)</u>	(38,994)
Non-controlling interests		<u>(1,991)</u>	<u>(4,815)</u>
		<u>(19,599)</u>	<u>(43,809)</u>
Loss per share	6		
Basic and diluted (<i>US cents</i>)		<u>(1.31)</u>	<u>(2.95)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		556	829
Right-of-use assets		240	–
Goodwill		7,985	7,985
Intangible assets		11,855	13,328
Deposit placed for a life insurance policy		–	505
Contingent consideration		–	405
Rental deposits		–	66
		<u>20,636</u>	<u>23,118</u>
Current assets			
Inventories		335	31,752
Trade and other receivables	7	7,256	19,824
Loan receivables	8	9,888	10,043
Contract assets and contract costs		102	625
Contingent consideration		208	673
Tax recoverable		12	25
Bank balances and cash		4,252	6,845
		<u>22,053</u>	<u>69,787</u>
Current liabilities			
Trade and other payables	9	3,734	29,146
Contract liabilities		140	–
Loan from a director		391	–
Loan from a non-controlling shareholder of a subsidiary		–	2,261
Tax payable		203	303
Lease liabilities		340	–
Bank borrowings		702	6,892
		<u>5,510</u>	<u>38,602</u>
Net current assets		<u>16,543</u>	<u>31,185</u>
Total assets less current liabilities		<u>37,179</u>	<u>54,303</u>
Non-current liabilities			
Deferred tax liabilities		1,944	2,170

	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
NET ASSETS		35,235	52,133
Capital and reserves			
Share capital	10	17,045	17,045
Reserves		11,787	28,955
Equity attributable to owners of the Company		28,832	46,000
Non-controlling interests		6,403	6,133
TOTAL EQUITY		35,235	52,133

Notes:

1. BASIS OF PREPARATION AND ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Basis of preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments at fair value through profit or loss which is carried at its fair values.

Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16 “Leases”

The Group was initially applied HKFRS 16 “Leases” with effect from 1 July 2019 and has taken transitional provisions and methods not to restate comparative information for prior period.

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under HKAS 17 “Leases”, resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	1 July 2019 US\$’000
Increase in right-of-use assets	1,096
Increase in lease liabilities	(1,096)
	<u><u> </u></u>

The reconciliation of operating lease commitment to lease liabilities as at 1 July 2019 is set out below:

	1 July 2019 US\$’000
Operating lease commitment at 30 June 2019	1,443
Less:	
Discounting at 6%	(86)
Recognition exemption for leases with less than 12 months of lease term at transition	(261)
	<u><u> </u></u>
Lease liabilities as at 1 July 2019	1,096

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

2. 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 five operating divisions, which are the sales of Group’s brand products; sales of other brand products; money lending service; trading business and sales of computer software and hardware and system development. These five 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 graphics 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
Trading business	– trading of chemical products in the People’s Republic of China (“PRC”)
Computer software and hardware and system development	– computer software and hardware and system development in PRC

The Group's revenue is analysed as follows:

	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Sales of Group's brand products	55,369	44,509
Sales of other brand products	39,740	54,592
Sales of chemical products through trading business	6,308	62,631
Provision for computer software and hardware and system development service	6,868	4,330
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Revenue from contracts with customers	108,285	166,062
Interest income from money lending service	1,101	1,008
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Total revenue	109,386	167,070
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Disaggregation of revenue from contracts with customers:

For the year ended 30 June 2020

	Group's brand products <i>US\$'000</i>	Other brand products <i>US\$'000</i>	Trading business <i>US\$'000</i>	Computer software and hardware and system development <i>US\$'000</i>	Consolidated <i>US\$'000</i>
Major products/services					
Sales of market video graphics cards	55,369	-	-	-	55,369
Sales of other computer components	-	17,375	-	-	17,375
Sales of consumer electronic products and others	-	22,365	-	-	22,365
Sales of chemical products through trading business	-	-	6,308	-	6,308
Provision for computer software and hardware and system development service	-	-	-	6,868	6,868
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	55,369	39,740	6,308	6,868	108,285
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition					
At a point in time	55,369	39,740	6,308	255	101,672
Over time	-	-	-	6,613	6,613
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	55,369	39,740	6,308	6,868	108,285
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For the year ended 30 June 2019

	Group's brand products <i>US\$'000</i>	Other brand products <i>US\$'000</i>	Trading business <i>US\$'000</i>	Computer software and hardware and system development <i>US\$'000</i>	Consolidated <i>US\$'000</i>
Major products/services					
Sales of market video graphics cards	44,509	–	–	–	44,509
Sales of other computer components	–	43,366	–	–	43,366
Sales of consumer electronic products and others	–	11,226	–	–	11,226
Sales of chemical products through trading business	–	–	62,631	–	62,631
Provision for computer software and hardware and system development service	–	–	–	4,330	4,330
Total	44,509	54,592	62,631	4,330	166,062
Timing of revenue recognition					
At a point in time	44,509	54,592	62,631	17	161,749
Over time	–	–	–	4,313	4,313
Total	44,509	54,592	62,631	4,330	166,062

Sales of Group's brand products and other brand products and sales of chemical products

The Group manufactures and sells market video graphics cards, other computer components, consumer electronic products and others under the Group's brand products, other brand products and chemical products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products are sold with volume discounts based on aggregate sales over a 12 months period, if any. Revenue from these sales is recognised based on the prices specified in the contracts, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method. A contract liability is recognised for the expected volume discounts payable to customers in relation to the sales made.

Sales to customers are normally made with credit terms of 90 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Provision for computer software and hardware and system development service

The Group provides computer software and hardware and system development service to the customers. When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract can be measured reasonably, revenue from the contract and the contract costs are recognised using the percentage of completion method, measured by reference to the surveys of work performed. This method provides the most reliable estimate of the percentage of completion.

When the progress towards complete satisfaction of the performance obligations of computer software and hardware and system development service contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

The customers pay the contract prices to the Group according to the payment schedules as stipulated in the contracts. If the service rendered by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the service rendered, a contract liability is recognised.

Some system integration contracts include multiple deliverables, such as the installation of hardware and software. If the installation is simple, does not include an integration service and could be performed by another party, it is accounted for as a separate performance obligation.

If a contract includes the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

The contract price is allocated to the performance obligations based on the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are determined by applying the expected cost plus a margin approach.

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

For the year ended 30 June 2020

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development US\$'000	Consolidated US\$'000
REVENUE						
External sales	55,369	39,740	-	6,308	6,868	108,285
Loan interest income	-	-	1,101	-	-	1,101
	<u>55,369</u>	<u>39,740</u>	<u>1,101</u>	<u>6,308</u>	<u>6,868</u>	<u>109,386</u>
SEGMENT RESULT	(13,767)	(1,928)	736	(127)	(730)	(15,816)
Interest income						3
Unallocated corporate expenses						(2,980)
Finance costs						(347)
Loss before income tax						<u>(19,140)</u>

For the year ended 30 June 2019

	Group's brand products <i>US\$'000</i>	Other brand products <i>US\$'000</i>	Money lending service <i>US\$'000</i>	Trading business <i>US\$'000</i>	Computer software and hardware and system development <i>US\$'000</i>	Consolidated <i>US\$'000</i>
REVENUE						
External sales	44,509	54,592	–	62,631	4,330	166,062
Loan interest income	–	–	1,008	–	–	1,008
	<u>44,509</u>	<u>54,592</u>	<u>1,008</u>	<u>62,631</u>	<u>4,330</u>	<u>167,070</u>
SEGMENT RESULT	(34,392)	(221)	666	(86)	(5,329)	(39,362)
Interest income						37
Unallocated corporate expenses						(3,944)
Finance costs						<u>(509)</u>
Loss before income tax						<u>(43,778)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 is presented as the information is not reported to the CODM for the purposes of resources allocation and performance assessment.

Other segment information

For the year ended 30 June 2020

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development US\$'000	Consolidated US\$'000
Impairment losses on trade receivables, net	1,443	–	–	–	481	1,924
Amortisation of intangible assets	54	–	–	–	1,473	1,527
Depreciation of right-of-use assets	413	–	–	–	–	413
Depreciation of property, plant and equipment	–	95	–	–	21	116
Reversal of impairment losses on amount due from a joint venture	(2)	–	–	–	–	(2)
Fair value change in contingent consideration	–	–	–	–	870	870
Impairment losses on development costs	110	–	–	–	–	110
Impairment losses on property, plant and equipment	2	–	–	–	–	2
Impairment losses on trademarks	6	–	–	–	–	6
Impairment losses on right-of-use assets	92	–	–	–	–	92
Gain on disposal of property, plant and equipment	(232)	–	–	–	–	(232)

For the year ended 30 June 2019

	Group's brand products US\$'000	Other brand products US\$'000	Money lending service US\$'000	Trading business US\$'000	Computer software and hardware and system development US\$'000	Consolidated US\$'000
Impairment losses on trade receivables, net	2,097	–	–	–	–	2,097
Amortisation of intangible assets	45	–	–	–	1,381	1,426
Depreciation of property, plant and equipment	4	56	–	–	13	73
Impairment losses on amount due from a joint venture	684	–	–	–	–	684
Impairment losses on goodwill	–	–	–	–	3,845	3,845
Fair value change in contingent consideration	–	–	–	–	1,606	1,606
Impairment losses on development costs	128	–	–	–	–	128
Impairment losses on property, plant and equipment	89	–	–	–	–	89
Impairment losses on trademarks	11	–	–	–	–	11
Loss on disposal of property, plant and equipment	–	–	–	–	1	1

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 is detailed as below:

	Revenue by external customers		Non-current assets	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Canada	17,375	20,439	–	84
The United States	50,362	51,414	79	66
Asia	23,491	84,041	20,557	22,056
Europe	17,651	10,594	–	2
Others	507	582	–	–
	<u>109,386</u>	<u>167,070</u>	<u>20,636</u>	<u>22,208</u>

Information about major customers

No customer contributed over 10% of the total sales of the Group for the both years ended 30 June 2020 and 2019.

3. OTHER GAINS AND LOSSES

	2020 US\$'000	2019 US\$'000
Impairment losses on trade receivables, net	(1,924)	(2,097)
Foreign exchange loss, net	(458)	(693)
Fair value change in contingent consideration	(870)	(1,606)
Impairment losses on goodwill	–	(3,845)
Reversal of/(impairment losses) on amount due from a joint venture	2	(684)
Impairment losses on development costs	(110)	(128)
Impairment losses on property, plant and equipment	(2)	(89)
Impairment losses on trademarks	(6)	(11)
Impairment losses on right-of-use assets	(92)	–
Gain/(loss) on disposal of property, plant and equipment	232	(1)
	<u>(3,228)</u>	<u>(9,154)</u>

4. INCOME TAX EXPENSE/(CREDIT)

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current tax:		
Hong Kong Profits Tax	5	–
The PRC Enterprise Income Tax	183	50
Withholding tax on PRC dividend income	151	–
Other jurisdictions	–	1
	<u>339</u>	<u>51</u>
(Over)/under-provision in respect of prior years:		
Hong Kong	(6)	–
PRC	6	–
Other jurisdictions	–	(123)
	<u>–</u>	<u>(123)</u>
Deferred tax	<u>(226)</u>	<u>(207)</u>
Income tax expense/(credit)	<u><u>113</u></u>	<u><u>(279)</u></u>

For the years ended 30 June 2020 and 2019, Hong Kong Profits Tax is calculated under two-tier profits tax rate regime. First HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and the remaining estimated assessable profits is taxed at 16.5%. The Group has selected one of the Hong Kong subsidiaries to apply the two-tier profits tax rate.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Other jurisdictions mainly included the United States. Taxation arising in other jurisdictions (of which the United States is at 30% (2019: 30%)) is calculated at the rates prevailing in the respective jurisdictions.

Under the law of PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards.

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.

5. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Amortisation on intangible assets:		
Development costs	53	43
Trademarks	1	2
Customer relationship	1,473	1,381
Auditor's remuneration	412	525
Cost of inventories sold	110,315	120,534
Depreciation of property, plant and equipment	276	233
Depreciation of right-of-use assets	764	–
Interest income on bank deposits	(3)	(16)
Interest income on deposit placed for a life insurance policy	–	(21)
Operating lease rentals in respect of rented premises	–	1,226
Short-term lease expenses	690	–
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	9,187	8,589
Retirement benefits scheme contributions	115	109
Equity-settled share based payments to directors	227	850
	<u>9,529</u>	<u>9,548</u>
Equity-settled share based payments to consultants	213	1,055
(Reversal of)/impairment losses on inventories (included in cost of sales)	<u>(9,953)</u>	<u>6,220</u>

6. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately US\$17,318,000 (2019: approximately US\$38,733,000) and the weighted average number of ordinary shares of 1,326,702,000 (2019: 1,313,393,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 30 June 2020 and 2019.

7. TRADE AND OTHER RECEIVABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables	6,192	20,875
Less: allowance for doubtful debts	(496)	(2,394)
	<hr/>	<hr/>
Trade receivables, net	5,696	18,481
	<hr/>	<hr/>
Deposits, prepayments and other receivables	1,560	1,343
	<hr/>	<hr/>
	7,256	19,824
	<hr/> <hr/>	<hr/> <hr/>

The Group allows a credit period of 1 to 180 days (2019: 1 to 180 days) to its trade customers. The aged analysis of trade receivables, net of allowances for doubtful debt, presented based on invoice dates is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
1 to 30 days	3,357	9,954
31 to 60 days	1,357	4,679
61 to 90 days	269	1,293
Over 90 days	713	2,555
	<hr/>	<hr/>
	5,696	18,481
	<hr/> <hr/>	<hr/> <hr/>

The reconciliation of loss allowance for trade receivables:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
At beginning of year	2,394	342
Increase in loss allowance for the year	1,984	2,097
Reversal of loss allowance for the year	(60)	–
Amount written-off	(3,812)	(1)
Exchange adjustments	(10)	(44)
	<hr/>	<hr/>
At end of year	496	2,394
	<hr/> <hr/>	<hr/> <hr/>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 30 June 2020					
Weighted average expected loss rate	0%	0%	0%	41%	
Receivable amount (US\$'000)	3,357	1,357	269	1,209	6,192
Loss allowance (US\$'000)	–	–	–	496	496
	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 30 June 2019					
Weighted average expected loss rate	0%	0%	0%	48%	
Receivable amount (US\$'000)	9,954	4,679	1,293	4,949	20,875
Loss allowance (US\$'000)	–	–	–	2,394	2,394

Trade and other receivables with carrying amount of approximately US\$96,000 (2019: approximately US\$11,493,000) are pledged to secure general banking facilities granted to the Group.

8. LOAN RECEIVABLES

	2020 US\$'000	2019 US\$'000
Fixed-rate loan receivables	<u>9,888</u>	<u>10,043</u>

Unsecured loan receivables carry fixed-rate interest of 12% per annum (2019: 12% per annum) and with maturity of one year (2019: ranging from three months to one year). 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, assesses the potential customer's credit quality and defines loan terms with the borrower. The credit of the borrowers granted with loans is reviewed once a year.

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

9. 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:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
1 to 30 days	737	5,873
31 to 60 days	7	1,419
61 to 90 days	–	348
Over 90 days	4	17,170
	<hr/>	<hr/>
Trade payables	748	24,810
Accruals and other payables	2,986	4,336
	<hr/>	<hr/>
	3,734	29,146
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The average credit period on purchases of goods is 30 to 60 days (2019: 30 to 60 days).

10. SHARE CAPITAL

	Number of shares	Amounts <i>HK\$'000</i>	US\$ equivalent <i>US\$'000</i>
Ordinary shares of HK\$0.1 each:			
Authorised			
At 1 July 2018, 30 June 2019 and 30 June 2020	2,000,000,000	200,000	25,747
	<hr/>	<hr/>	<hr/>
Issued and fully paid			
At 1 July 2018	1,105,901,739	110,590	14,214
Shares issued on 23 July 2018 upon the acquisition of subsidiaries (<i>Note (a)</i>)	220,800,000	22,080	2,831
	<hr/>	<hr/>	<hr/>
At 30 June 2019, 1 July 2019 and 30 June 2020	1,326,701,739	132,670	17,045
	<hr/>	<hr/>	<hr/>

Note:

- (a) 220,800,000 ordinary shares at HK\$0.76 have been allotted and issued as the consideration of the acquisition of Eternal Abundant Group during the year.

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 of the Company (the “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 bank borrowings, net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital, share premium and reserves.

The Directors review the capital structure periodically taking into account 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.

11. DIVIDEND

No dividend had been paid or proposed for both years presented. The Directors do not recommend a dividend in respect of the year ended 30 June 2020.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Year, the Group's revenue was approximately US\$109.4 million, representing approximate 35% decrease compared to that of approximately US\$167.1 million last year. Because of the further tightening on cost control, gross loss of the Group for the Year dropped by approximately 92% to approximately US\$1.3 million as compared to that of approximately US\$16.4 million last year.

Operating expenses, including selling and distribution expenses, general and administrative expenses and finance costs, decreased by approximately US\$3.5 million, or approximately 19%, from approximately US\$18.4 million last year to approximately US\$14.9 million for the Year. The decline of the operating expenses was mainly resulted from further tightened control on spending throughout the Year.

As there were no impairment losses on goodwill and decrease in the change in fair value in contingent consideration for the Year, other gains and losses decreased by approximately US\$5.9 million, or approximately 65%, from approximately US\$9.2 million last year to approximately US\$3.2 million for the Year,

The Group recorded a loss attributable to the owners of the Company of approximately US\$17.3 million for the Year as compared with the loss attributable to owners of the Company of approximately US\$38.7 million last year.

Liquidity and financial resources

The Group has total current assets of approximately US\$22.1 million as at 30 June 2020 and approximately US\$69.8 million as at 30 June 2019. The Group's total current liabilities amounted to approximately US\$5.5 million as at 30 June 2020 and approximately US\$38.6 million as at 30 June 2019. The Group's current ratio, defined as total current assets over total current liabilities, increased from 1.8 as at 30 June 2019 to 4 as at 30 June 2020.

The Group's cash and bank balances decreased from approximately US\$6.8 million as at 30 June 2019 to approximately US\$4.3 million as at 30 June 2020. Bank borrowings reduced from approximately US\$6.9 million as at 30 June 2019 to approximately US\$0.7 million as at 30 June 2020. Due to the adoption of HKFRS 16, the Group has incurred current lease liabilities amounted to approximately US\$0.3 million as at 30 June 2020.

Trade and other payables decreased by approximately US\$25.4 million, or approximately 87%, from approximately US\$29.1 million as at 30 June 2019 to approximately US\$3.7 million as at 30 June 2020. In which, trade payables decreased by approximately US\$24.1 million, or approximately 97%, from approximately US\$24.8 million as at 30 June 2019 to approximately US\$0.7 million as at 30 June 2020. The change was resulted from sales decline with a lower demand on material purchase in the Year.

The Group continued to maintain a healthy financial and cash position. The Company did not carry out any fund raising activities by issuing new shares of the Company during the Year.

Share capital and capital structure of the Company

As at 30 June 2020, the Company had 1,326,701,739 ordinary shares (the “**Shares**”) of HK\$0.1 each in issue (2019: 1,326,701,739 Shares).

Gearing ratio

As at 30 June 2020, the gearing ratio of the Group based on total liabilities over total assets was approximately 17% (2019: approximately 44%).

Foreign Exchange Exposure

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, Canadian dollars and Renminbi. 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 would be foreign currency payables and loan exceeds its foreign currency revenue. During the Year, the Group had used foreign currency forward contracts to minimise its exposure to currency fluctuations risk in certain trade payables denominated in foreign currencies.

Business Review

Group’s brand products

For the Year, the segment’s revenue was approximately US\$55,369,000, representing an approximate 24% increase compared to approximately US\$44,509,000 last year. The segment’s loss was approximately US\$13,767,000, compared to last year’s loss of approximately US\$34,392,000.

Under the unfavorable environment, the Group has enhanced its marketing force which successfully reduced the inventory level during the Year.

Other brand products

The revenue of the other brand products was approximately US\$39,740,000, representing an approximate 27% decrease compared to approximately US\$54,592,000 last year. The segment's loss was approximately US\$1,928,000, compared to last year's loss of approximately US\$221,000.

The Group will continue to streamline the product line and to further reduce the expense.

Money lending service

For the Year, the segment's revenue was approximately US\$1,101,000, representing an approximate 9% increase compared to approximately US\$1,008,000 last year. The segment's profit was approximately US\$736,000, representing an approximate 11% increase, compared to last year's profit of approximately US\$666,000.

The Directors will continue to adopt a prudent approach on this sector.

Trading business

For the Year, the segment's revenue was approximately US\$6,308,000, representing an approximate 90% decrease compared to approximately US\$62,631,000 last year. The segment's loss was approximately US\$127,000, representing an approximate 48% increase, compared to last year's loss of approximately US\$86,000.

Due to an increase in operating cost and the intensified competitive market condition during the Year, there was a drop in the overall segment performance. After careful consideration, the Directors have come to the view that the streamlining of the existing trading business scope and the diversion of the Directors' effort towards other businesses would be in the interest of the Shareholders as a whole. The Directors are of the view that the impact of the market condition on the Group's overall financial position is considered to be minimal.

Computer software and hardware and system development

For the Year, the segment's revenue was approximately US\$6,868,000, representing an approximate 59% increase compared to approximately US\$4,330,000 last year. The segment's loss was approximately US\$730,000, representing an approximate 86% decrease, compared to last year's loss of approximately US\$5,329,000.

The segment loss mainly represents the net effect of profit arising from computer software and hardware and system development segment of approximately US\$1,613,000 and other loss arising from business combination including change in fair value of contingent consideration of approximately US\$870,000 and amortisation of intangible assets of approximately US\$1,473,000.

Business Outlook

The Group continues to face multiple challenges in the coming year. These challenges include the rise of unilateralism and protectionism, escalation of trade frictions, the tense atmosphere of the geopolitical environment and the outbreak of the 2019 Novel Coronavirus Disease (the “COVID-19”) epidemic, which have and may continue to cause market turbulence and economic uncertainties to different industries and slowdown of gross domestic product growth in the global markets.

The Group will commit itself to combat the competitive environment by expanding its market networks and stay vigilant and proactive to further business opportunities.

Significant investments and material acquisitions and/or disposals

There was no significant investment held by the Group, nor were there any material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the Year.

Employees and remuneration policy

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance, qualification, experience and the remuneration policies are reviewed on a regular basis.

As at 30 June 2020, the Group had 151 employees, including 3 executive Directors and 3 independent non-executive Directors, 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\$9,529,000 for the Year as compared with that of approximately US\$9,548,000 for the last year.

Capital commitment and contingent liabilities

The Group had no material capital commitment and contingent liabilities as at 30 June 2020 (2019: Nil).

Sufficiency of public float

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 as at the date of this announcement.

Events after the reporting period

The COVID-19 pandemic has a negative impact on the capital market to a certain extent. However, the degree of impact will depend on the situation and duration of epidemic prevention and control. The Group will continue to pay close attention to the development of the COVID-19 pandemic as well as the various control policies, assess and react actively to its impacts on the financial position and operating results of the Group.

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) of the Company is expected to be held on 24 November 2020. The notice of AGM will be sent to Shareholders at least 20 clear business days before AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all 3 independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong in accordance with Rule 3.13 of the Listing Rules. The Board has reviewed the independence of all independent non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired as at the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang Sanhuo assumes the role of both the chairman (the “**Chairman**”) and the chief executive officer of the Company. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of the Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-law 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 Directors subject to retirement by rotation at each annual general meeting.

COMPLIANCE WITH THE MODEL CODE FOR 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 the code of conduct regarding Directors' securities transaction. Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

The main duties of the audit committee of the Board (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 two meetings to review the annual financial results and reports in respect of the Year, the interim results and report for the six months ended 31 December 2019 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the Company’s auditors twice during the Year with regards to reviewing the Company’s financial report and accounts.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pinegroup.com) and the 2020 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 September 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Sanhuo, Mr. Chan Cheuk Ho and Mr. Chiu Hang Tai; and the independent non-executive Directors are Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong.