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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 2016

CHAIRMAN'S STATEMENT

Fiscal 2016 was another challenging year. There was a 8% drop on revenue and 22% drop on gross profit of PINE Technology Holdings Limited and its subsidiaries ("the Group"). The Group's revenue was US\$155,488,000, and the gross profit was US\$6,631,000, compared to US\$169,576,000 and US\$8,510,000 respectively for the previous year. Net loss for the year was US\$6,362,000.

Business review

The release of Windows 10 in July last year helped the Personal Computer ("PC") upgrade cycle. But the launch of the AMD 3 series graphics cards was a disappointment. We lost market share and had inventory issue. So in second half of the year we had to take a costly action to go very aggressive in price to reduce inventory and maintain market share.

The strong US dollar also negatively impacted the business, especially in regions like Latin America and Europe.

Business outlook

In June AMD launched the 4 series Graphics Processing Unit ("GPU") family to replace the poor performing 3 series. This 4 series is based on the new Polaris architecture – a new graphics architecture incorporating exciting features, from premium Virtual Reality ("VR") to seamless support for next-gen gaming monitors and CPU-free game streaming or recording. And the 4 series uses the 14nm manufacturing process which packs 5.7 billion transistors inside for outstanding performance and reduce power consumption significantly. As a result, the launch is widely successful. Demand for the product has been stellar.

We expect this product family to be a winner and it will be our growth engine of both revenue and profit in the coming financial year. We are optimistic of the business outlook.

Chiu Hang Tai

Chairman

Hong Kong, 19 September 2016

* *For identification purpose only*

RESULTS

The board of directors of the Company is pleased to present the audited consolidated results of the Group for the year ended 30 June 2016, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 US\$'000	2015 US\$'000
Revenue	2	155,488	169,576
Cost of sales		<u>(148,857)</u>	<u>(161,066)</u>
Gross profit		6,631	8,510
Other income		339	279
Selling and distribution expenses		(3,418)	(4,138)
General and administrative expenses		(9,658)	(10,908)
Other gains and losses	3	(102)	1,365
Finance costs		(741)	(874)
Share of results of a joint venture	7	<u>(26)</u>	<u>–</u>
Loss before tax		(6,975)	(5,766)
Income tax credit (expense)	4	<u>613</u>	<u>(801)</u>
Loss for the year	5	<u><u>(6,362)</u></u>	<u><u>(6,567)</u></u>
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(635)	(773)
Reclassification of exchange reserve to profit or loss upon liquidation of a subsidiary		<u>–</u>	<u>171</u>
Other comprehensive expense for the year		<u>(635)</u>	<u>(602)</u>
Total comprehensive expense for the year		<u><u>(6,997)</u></u>	<u><u>(7,169)</u></u>
Loss per share	6		
Basic (US cents)		<u><u>(0.69)</u></u>	<u><u>(0.71)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		463	1,375
Development costs		206	205
Trademarks		159	278
Interest in a joint venture	7	–	–
Deposit placed for a life insurance policy		445	429
Rental deposits		58	58
		<u>1,331</u>	<u>2,345</u>
Current assets			
Inventories		39,783	42,669
Trade and other receivables	8	56,604	54,704
Amounts due from a joint venture		1,456	–
Tax recoverable		78	82
Pledged bank deposits		2,722	2,713
Bank balances and cash		5,931	8,677
		<u>106,574</u>	<u>108,845</u>
Current liabilities			
Trade and other payables	9	22,742	15,398
Amounts due to a joint venture		576	–
Tax payable		506	2,044
Obligations under finance leases		12	12
Bank borrowings		25,537	28,215
		<u>49,373</u>	<u>45,669</u>
Net current assets		<u>57,201</u>	<u>63,176</u>
		<u>58,532</u>	<u>65,521</u>
Capital and reserves			
Share capital	10	11,851	11,851
Share premium and reserves	10	46,642	53,639
		<u>58,493</u>	<u>65,490</u>
Non-current liabilities			
Deferred tax liability		19	–
Obligations under finance leases		20	31
		<u>39</u>	<u>31</u>
		<u>58,532</u>	<u>65,521</u>

Notes:

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

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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) and by the Hong Kong Companies Ordinance. They have been prepared on the historical cost basis at the end of each reporting period.

There is no new or revised HKFRSs issued by the HKICPA applied by the Group for the first time in the current year.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

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 two operating divisions, which are sales of Group’s brand products and other brand products. These two 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 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

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

	Group's brand products		Other brand products		Consolidated	
	2016	2015	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue						
External sales	<u>92,608</u>	<u>92,980</u>	<u>62,880</u>	<u>76,596</u>	<u>155,488</u>	<u>169,576</u>
Segment result	<u>(5,946)</u>	<u>(4,578)</u>	<u>504</u>	<u>529</u>	<u>(5,442)</u>	<u>(4,049)</u>
Interest income					26	28
Unallocated corporate expenses					(818)	(871)
Finance costs					<u>(741)</u>	<u>(874)</u>
Loss before tax					<u>(6,975)</u>	<u>(5,766)</u>

Revenue from major products

The Group's major products are derived from the sales of market video graphic cards included in Group's brand products operating segment amounting to US\$85,421,000 (2015: US\$86,613,000). Others are derived from the sales of other computer components amounting to US\$56,874,000 (2015: US\$73,930,000) and sales of consumer electronic products and others amounting to US\$13,193,000 (2015: US\$9,033,000).

Geographical information

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

	Revenue by external customers		Non-current assets	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Canada	36,528	47,705	158	199
United States	55,901	64,434	88	74
Asia	49,346	43,638	182	1,034
Others	<u>13,713</u>	<u>13,799</u>	<u>458</u>	<u>609</u>
	<u>155,488</u>	<u>169,576</u>	<u>886</u>	<u>1,916</u>

Note: Non-current assets exclude financial instruments.

Information about major customers

Included in revenue arising from sales of Group's brand products of US\$92,608,000 (2015: US\$92,980,000) are revenue of US\$9,928,000 (2015: US\$11,611,000) which arose from sales to the Group's largest customer.

No segment assets, liabilities and other segment information 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.

3. OTHER GAINS AND LOSSES

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Exchange gain, net	142	647
Gain on disposal of property, plant and equipment	16	1,498
Trademarks written off	(108)	–
Allowance for doubtful debts recognised, net	(152)	(609)
Reclassification of exchange reserve to profit or loss upon liquidation of a subsidiary (note)	–	(171)
	<u>(102)</u>	<u>1,365</u>

Note: During the year ended 30 June 2015, a subsidiary of the Company had completed the liquidation process. The cumulative exchange differences arising on translation of net assets of that subsidiary was reclassified from exchange reserve to profit or loss upon liquidation. No significant gain or loss was resulted from the liquidation of that subsidiary.

4. INCOME TAX (CREDIT) EXPENSE

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Current tax		
Hong Kong Profits Tax	5	7
The People's Republic of China ("PRC")		
Enterprise Income Tax	82	161
PRC Withholding tax	134	–
Other jurisdictions	8	674
(Over) underprovision in prior years		
Hong Kong Profits Tax	(875)	(2)
PRC Enterprise Income Tax	25	9
Other jurisdictions	(11)	(48)
	<u>(632)</u>	<u>801</u>
Deferred taxation	19	–
	<u>(613)</u>	<u>801</u>

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.

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 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.

5. LOSS FOR THE YEAR

	2016	2015
	US\$'000	US\$'000
Loss for the year has been arrived at after charging (crediting):		
Amortisation charges:		
Development costs (included in cost of sales)	199	243
Trademarks	18	19
Auditor's remuneration	351	364
Cost of inventories recognised as an expense	148,857	161,066
Allowance for (reversal of written down) of inventories	1,104	(61)
Depreciation of property, plant and equipment	747	499
Operating lease rentals in respect of land and buildings	1,071	1,398
Research and development costs	32	46
Staff costs:		
Directors' and chief executive's emoluments	430	430
Other staff costs	5,896	6,607
	6,326	7,037
Interest income on bank deposits	(10)	(12)
Interest income on deposit placed for a life insurance policy	(16)	(16)

6. LOSS PER SHARE

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Loss for the year attributable to the owners of the Company	<u>(6,362)</u>	<u>(6,567)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>921,585</u>	<u>921,585</u>

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

7. INTEREST IN A JOINT VENTURE

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Cost of investment in a joint venture – unlisted	26	–
Share of loss	<u>(26)</u>	–
	<u>–</u>	<u>–</u>

As at 30 June 2016, 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
			2016	2015	2016	2015	
XFX Technology LLC	United Arab Emirates (“UAE”)	Paid up capital	49%	–	50%	–	Wholesale and distribution of computer components

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 1 to 180 days (2015: 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:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
1 to 30 days	15,568	16,692
31 to 60 days	8,616	7,686
61 to 90 days	4,078	7,143
Over 90 days	26,498	22,466
	<hr/>	<hr/>
Trade receivables	54,760	53,987
Deposits, prepayments and other receivables	1,844	717
	<hr/>	<hr/>
	56,604	54,704
	<hr/> <hr/>	<hr/> <hr/>

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:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
1 to 30 days	17,990	4,417
31 to 60 days	1,195	5,108
61 to 90 days	604	1,443
Over 90 days	338	566
	<hr/>	<hr/>
Trade payables	20,127	11,534
Deposits in advance, accruals and other payables	2,615	3,864
	<hr/>	<hr/>
	22,742	15,398
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Share capital US\$'000	Share premium US\$'000	Surplus account US\$'000 (note)	Exchange reserve US\$'000	Share options reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 July 2014	11,851	27,083	2,954	1,764	14	28,993	72,659
Loss for the year	-	-	-	-	-	(6,567)	(6,567)
Other comprehensive (expense) income for the year							
Exchange differences arising on translation of foreign operations	-	-	-	(773)	-	-	(773)
Reclassification of exchange reserve to profit or loss upon liquidation of a subsidiary	-	-	-	171	-	-	171
	-	-	-	(602)	-	-	(602)
Total comprehensive expense for the year	-	-	-	(602)	-	(6,567)	(7,169)
At 30 June 2015	11,851	27,083	2,954	1,162	14	22,426	65,490
Loss for the year	-	-	-	-	-	(6,362)	(6,362)
Other comprehensive expense for the year							
Exchange differences arising on translation of foreign operations	-	-	-	(635)	-	-	(635)
Total comprehensive expense for the year	-	-	-	(635)	-	(6,362)	(6,997)
At 30 June 2016	11,851	27,083	2,954	527	14	16,064	58,493

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.

DIVIDEND

The directors of the Company do not recommend a dividend for both years ended 30 June 2016 and 30 June 2015.

MANAGEMENT DISCUSS AND ANALYSIS

Liquidity, financial resources and charge of group asset

As at 30 June 2016, the Group's borrowings are short-term loans of US\$25,537,000 (2015: US\$28,215,000). The aggregate borrowings US\$25,537,000 (2015: US\$28,215,000) 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 2016, total pledged deposits, and all assets of certain subsidiaries as floating charges were amounted US\$3,167,000 and US\$26,308,000 respectively (2015: US\$3,142,000 and US\$30,167,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2016, the total cash on hand amounted US\$5,931,000 (2015: US\$8,677,000).

Capital structure

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

Gearing ratio

As at 30 June 2016, the gearing ratio of the Group based on total liabilities over total assets was 46% (2015: 41%).

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

During the year, the segment's revenue was US\$92,608,000, which is similar to that of the previous year at US\$92,980,000. The segment's loss was US\$5,946,000. We strive to develop the best products and deliver the best gaming experience to delight our loyal customers.

Other brand products

The revenue of the other brand products was US\$62,880,000 compared to US\$76,596,000 for the previous year. The segment's profit was US\$504,000.

We will continue to expand the procurement of more non-PC products, and to do better to react faster to the dynamics of the business environment.

Significant investments and material acquisitions

During the year, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Employee

As at 30 June 2016, the Group had 176 employees, a 6.9% decrease from 189 employees since 30 June 2015, 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 US\$6,326,000 for the year ended 30 June 2016 as compared with that of US\$7,037,000 for the previous year.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2016 and 30 June 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chiu Hang Tai assumes the role of both the Chairman and the Chief Executive Officer of the Group. The Company believes that this structure is conducive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-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 in the way of having one-third of all directors subject to retirement by rotation at each annual general meeting.

AUDIT COMMITTEE

The Audit Committee had 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 Group's annual results for the year ended 30 June 2016.

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.

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

Hong Kong, 19 September 2016

As at the date of this announcement, executive directors are Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin. Non-executive director is Mr. Chiu Herbert H T and the independent non-executive directors are Mr. Li Chi Chung, Mr. So Stephen Hon Cheung and Dr. Huang Zhijian.