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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 2019**

#### **CHAIRMAN'S STATEMENT**

On behalf of the board (the "Board") of directors (the "Director(s)") of PINE Technology Holdings Limited (the "Company"), I hereby present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2019 (the "Year"). For the Year, the Group's revenue was US\$167,070,000, representing a 41% decrease compared to that of last year. Gross loss of the Group for the Year was approximately US\$16,444,000, representing a decrease by 280% as compared to that of last year. The Group incurred a loss of approximately US\$43.5 million, compared with a loss of approximately US\$9.3 million last year.

#### **Business review**

##### ***PC related business***

Our major focus in the Year was to reduce the inventory level. During the Year, we reduced our inventory from US\$100.5 million to US\$31.8 million and bank loan from US\$13.3 million to US\$6.9 million. The downhill of the graphics card market has reflected over the past year. Amid the turmoil of the cryptocurrency mining business, the decrease in new products launched, by the major supplier, in comparison to the previous year, and the unilateral tariff imposed by the United States of America (the "United States"), resulted in decreasing demand and value of new graphic cards. Moreover, the second-hand graphic cards market remains very competitive to our business, and the downturn of the cryptocurrency mining sector had further depressed the market price of graphics cards.

Given the adverse market conditions, and the material cost of our graphics cards are comparatively high, we strive to ensure that our stock inventory level remains low.

\* *for identification purposes only*

### ***Money lending service***

The Company had 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 in 2018. The performance of this segment during the Year was stable. The Directors considered that the money lending service successfully diversified the Group's business scope and broadened its revenue basis.

### ***IT related business***

In July 2018, the Company had successfully acquired China UIP Information Technology Co. Ltd. ("China UIP"). 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. China UIP established its headquarters in Guangzhou in 2003 and expanded its branch to Changsha in 2014. Currently, the total number of staff of China UIP has exceeded 80 persons.

With more than 15 years of experience in the IT industry, 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.

After the acquisition, the development of China UIP was within the Directors expectation. During the Year, in the existing markets situated in provinces like Guangzhou and Hunan, China UIP expanded slightly slower as expected due to the overall poor economy sentiment in the PRC. However, China UIP has successfully penetrated into the new market situated in Shanxi Province, which provided significant contribution to the Group.

### **Business outlook**

The outbreak of a trade war between the United States and the PRC has created uncertainty and volatility which damages the overall global economy, and dampens the investors' sentiment. Considering that the United States and the PRC are the two largest economies in the world and are also the two major markets of the Group, the business performance of the Group has been adversely affected for the Year due to the adverse market conditions.

There are many negative factors affecting our business, in particular the aforementioned ongoing trade war between the United States and the PRC which is adversely affecting the consumers' buying power due to the unilateral tariff imposed on the graphics cards. Furthermore, Brexit and the political upheaval in South America are creating huge uncertainties for both the Europe and Latin America markets. Given the overall geopolitical instability, the Group needs to continue to act proactively by lowering the inventory levels in order to reduce the inventory risk.

As the competition in the high-quality computer components market is expected to remain intense across the business segments, the Directors will continue to review the existing principal business, the strategic directions and operations of the Group, to implement a long-term corporate strategy and growth, while exploring other business or investment opportunities.

Looking forward, China UIP shall further expand its business from government sectors to commercial sectors.

Finally, I would like to thank the Board and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

**Zhang Sanhuo**

*Chairman*

Hong Kong, 30 September 2019

## FINANCIAL RESULTS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to present the audited consolidated results of the Group for the year ended 30 June 2019, 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 2019*

	<i>Notes</i>	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
<b>Revenue</b>	2	<b>167,070</b>	282,235
Cost of sales		<u>(183,514)</u>	<u>(273,124)</u>
<b>Gross (loss)/profit</b>		<b>(16,444)</b>	9,111
Other income		<b>239</b>	588
Other gains and losses	3	<b>(9,154)</b>	(1,626)
Selling and distribution expenses		<b>(3,198)</b>	(3,756)
General and administrative expenses		<u>(14,712)</u>	<u>(12,540)</u>
<b>Operating loss</b>		<b>(43,269)</b>	(8,223)
Finance costs		<u>(509)</u>	<u>(625)</u>
<b>Loss before income tax</b>		<b>(43,778)</b>	(8,848)
Income tax credit/(expense)	4	<u>279</u>	<u>(441)</u>
<b>Loss for the year</b>	5	<u>(43,499)</u>	<u>(9,289)</u>
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(310)</u>	<u>153</u>
<b>Total other comprehensive (loss)/income for the year</b>		<u>(310)</u>	<u>153</u>
<b>Total comprehensive loss for the year</b>		<u><u>(43,809)</u></u>	<u><u>(9,136)</u></u>

	<i>Notes</i>	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(38,733)</b>	(8,235)
Non-controlling interests		<b>(4,766)</b>	(1,054)
		<u><b>(43,499)</b></u>	<u>(9,289)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(38,994)</b>	(8,105)
Non-controlling interests		<b>(4,815)</b>	(1,031)
		<u><b>(43,809)</b></u>	<u>(9,136)</u>
<b>Loss per share</b>			
Basic and diluted (US cents)	6	<u><b>(2.95)</b></u>	<u>(0.78)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>Notes</i>	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>829</b>	853
Goodwill		<b>7,985</b>	–
Intangible assets		<b>13,328</b>	3
Interest in a joint venture	7	–	–
Deposit placed for a life insurance policy		<b>505</b>	484
Contingent consideration		<b>405</b>	–
Rental deposits		<b>66</b>	47
		<b>23,118</b>	1,387
<b>Current assets</b>			
Inventories		<b>31,752</b>	100,485
Trade and other receivables	8	<b>19,824</b>	12,665
Loan receivables	9	<b>10,043</b>	9,162
Contract assets and contract costs		<b>625</b>	–
Contingent consideration		<b>673</b>	–
Tax recoverable		<b>25</b>	14
Bank and cash balances		<b>6,845</b>	8,681
		<b>69,787</b>	131,007
<b>Current liabilities</b>			
Trade and other payables	10	<b>29,146</b>	48,763
Loan from a non-controlling shareholder of a subsidiary		<b>2,261</b>	7,511
Tax payable		<b>303</b>	9
Secured bank borrowings		<b>6,892</b>	13,334
		<b>38,602</b>	69,617
<b>Net current assets</b>		<b>31,185</b>	61,390
<b>Total assets less current liabilities</b>		<b>54,303</b>	62,777

	<i>Notes</i>	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>2,170</u>	<u>171</u>
<b>NET ASSETS</b>		<b><u>52,133</u></b>	<b><u>62,606</u></b>
<b>Capital and reserves</b>			
Share capital	11	<b>17,045</b>	14,214
Reserves		<u>28,955</u>	<u>47,361</u>
Equity attributable to owners of the Company		<b>46,000</b>	61,575
Non-controlling interests		<u>6,133</u>	<u>1,031</u>
<b>TOTAL EQUITY</b>		<b><u>52,133</u></b>	<b><u>62,606</u></b>

*Notes:*

**1. BASIS OF PREPARATION AND APPLICATION OF NEW AND AMENDMENTS TO 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 (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.

**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 product in the People’s Republic of China (the “PRC”)
Computer software and hardware and system development	– computer software and hardware and system development in the PRC

During the year ended 30 June 2019, the Group has commenced its trading business and computer software and hardware and system development business in the PRC. The operating segments regarding these businesses were reported.



The Group's revenue is analysed as follows:

	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
Sales of Group's brand products	<b>44,509</b>	211,869
Sales of other brand products	<b>54,592</b>	70,179
Sales of chemical product through trading business	<b>62,631</b>	–
Provision for computer software and hardware and system development service	<b>4,330</b>	–
Revenue from contracts with customers	<b>166,062</b>	282,048
Interest income from money lending service	<b>1,008</b>	187
Total revenue	<b>167,070</b>	282,235

**Disaggregation of revenue from contracts with customers:**

*For the year ended 30 June 2019*

	<b>Group brand products <i>US\$'000</i></b>	<b>Other brand products <i>US\$'000</i></b>	<b>Trading business <i>US\$'000</i></b>	<b>Computer software and hardware and system development <i>US\$'000</i></b>	<b>Consolidated <i>US\$'000</i></b>
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 product through trading business	–	–	62,631	–	62,631
Provision for computer software and hardware and system development service	–	–	–	4,330	4,330
Total	<b>44,509</b>	<b>54,592</b>	<b>62,631</b>	<b>4,330</b>	<b>166,062</b>
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	<b>44,509</b>	<b>54,592</b>	<b>62,631</b>	<b>4,330</b>	<b>166,062</b>

*For the year ended 30 June 2018*

	Group 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	209,755	–	–	–	209,755
Sales of other computer components	2,114	55,046	–	–	57,160
Sales of consumer electronic products and others	–	15,133	–	–	15,133
Sales of chemical product through trading business	–	–	–	–	–
Provision for computer software and hardware and system development service	–	–	–	–	–
<b>Total</b>	<b>211,869</b>	<b>70,179</b>	<b>–</b>	<b>–</b>	<b>282,048</b>
Timing of revenue recognition					
At a point in time	211,869	70,179	–	–	282,048
Over time	–	–	–	–	–
<b>Total</b>	<b>211,869</b>	<b>70,179</b>	<b>–</b>	<b>–</b>	<b>282,048</b>

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

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 product 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 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 2019*

	Group 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	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						(509)
Loss before tax						<u>(43,778)</u>

*For the year ended 30 June 2018*

	Group 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>
<b>REVENUE</b>						
External sales	211,869	70,179	–	–	–	282,048
Loan interest income	–	–	187	–	–	187
	<u>211,869</u>	<u>70,179</u>	<u>187</u>	<u>–</u>	<u>–</u>	<u>282,235</u>
<b>SEGMENT RESULT</b>	(5,089)	(232)	19	–	–	(5,302)
Interest income						55
Unallocated corporate expenses						(2,976)
Finance costs						<u>(625)</u>
Loss before tax						<u><u>(8,848)</u></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 are 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 2019*

	Group 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
Allowance for doubtful debts (reversed) recognised, net	2,040	57	-	-	-	2,097
Amortisation of intangible assets	45	-	-	-	1,381	1,426
Depreciation of property, plant and equipment	164	56	-	-	13	233
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

*For the year ended 30 June 2018*

	Group 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
Allowance for doubtful debts (reversed) recognised, net	(16)	12	-	-	-	(4)
Amortisation of intangible assets	265	-	-	-	-	265
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

## 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	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Canada	20,439	38,044	84	123
The United States	51,414	93,581	66	47
Asia	84,041	93,032	22,056	727
Europe	10,594	56,099	2	6
Others	582	1,479	–	–
	<b>167,070</b>	<b>282,235</b>	<b>22,208</b>	<b>903</b>

## Information about major customers

No customer contributed over 10% of the total sales of the Group for the both years ended 30 June 2019 and 2018.

### 3. OTHER GAINS AND LOSSES

	2019	2018
	US\$'000	US\$'000
Allowance for doubtful debts (recognised)/reversed , net	(2,097)	4
Foreign exchange loss, net	(693)	(134)
Fair value change in contingent consideration	(1,606)	–
Impairment loss on goodwill	(3,845)	–
Impairment losses on amount due from a joint venture	(684)	(1,055)
Impairment losses on development costs	(128)	(236)
Impairment losses on property, plant and equipment	(89)	(60)
Impairment losses on trademarks	(11)	(140)
Loss on disposal of property, plant and equipment	(1)	(5)
	<b>(9,154)</b>	<b>(1,626)</b>

#### 4. INCOME TAX (CREDIT)/EXPENSE

	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	6
The PRC Enterprise Income Tax	<b>50</b>	339
Other jurisdictions	<b>1</b>	6
	<u><b>51</b></u>	<u>351</u>
Over-provision in respect of prior years:		
Hong Kong Profits Tax	–	(5)
The PRC Enterprise Income Tax	–	(13)
Other jurisdictions	<b>(123)</b>	–
	<u><b>(123)</b></u>	<u>(18)</u>
Deferred taxation	<u><b>(207)</b></u>	<u>108</u>
Income tax (credit)/expense	<u><b>(279)</b></u>	<u>441</u>

Hong Kong Profits Tax is provided at 16.5% (2018: 16.5%) based on the assessable profit for the year.

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% (2018: 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.

## 5. LOSS FOR THE YEAR

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Amortisation on:		
Development costs	43	252
Trademarks	2	13
Customer relationship	1,381	–
Auditor's remuneration	385	488
Cost of inventories sold	120,534	267,549
Depreciation of property, plant and equipment	233	276
Interest income on bank deposits	(16)	(34)
Interest income on deposit placed for a life insurance policy	(21)	(21)
Operating lease rentals in respect of rented premises	1,226	1,238
Staff costs		
Salaries, bonus and allowances	8,589	7,846
Retirement benefits scheme contributions	109	31
Equity-settled share based payments to directors	850	532
	<u>9,548</u>	<u>8,409</u>
Equity-settled share based payments to consultants	1,055	–
Impairment losses on inventories (included in cost of sales)	<u>6,220</u>	<u>5,575</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\$38,733,000 (2018: US\$8,235,000) and the weighted average number of ordinary shares of 1,313,393,000 (2018: 1,059,106,000) 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 2018 and 2019.

## 7. INTEREST IN A JOINT VENTURE

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Cost of investment in a joint venture – unlisted	26	26
Share of post-acquisition losses	<u>(26)</u>	<u>(26)</u>
	<u>–</u>	<u>–</u>



Note:

As at 30 June 2019 and 30 June 2018, 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
			2019	2018	2019	2018	
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:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
The Group's share of loss and total comprehensive expense for the year	—	—

## 8. TRADE AND OTHER RECEIVABLES

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Trade receivables	20,875	11,859
Less: allowance for doubtful debts	<u>(2,394)</u>	<u>(297)</u>
Trade receivables, net	<u>18,481</u>	<u>11,562</u>
Deposits, prepayments and other receivables	<u>1,343</u>	<u>1,103</u>
	<u>19,824</u>	<u>12,665</u>

The Group allows a credit period of 1 to 180 days (2018: 1 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowances for doubtful debt, presented based on invoice dates:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
1 ~ 30 days	9,954	7,478
31 ~ 60 days	4,679	2,112
61 ~ 90 days	1,293	1,142
Over 90 days	<u>2,555</u>	<u>830</u>
	<u>18,481</u>	<u>11,562</u>

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.

	<b>Current</b>	<b>Over 30 days past due</b>	<b>Over 60 days past due</b>	<b>Over 90 days past due</b>	<b>Total</b>
<b>At 30 June 2019</b>					
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

	<b>Current</b>	<b>Over 30 days past due</b>	<b>Over 60 days past due</b>	<b>Over 90 days past due</b>	<b>Total</b>
<b>At 30 June 2018</b>					
Weighted average expected loss rate	0%	0%	0%	26%	
Receivable amount (US\$'000)	7,478	2,112	1,142	1,127	11,859
Loss allowance (US\$'000)				297	297

Trade and other receivables with carrying amount of approximately US\$11,430,000 (30 June 2018: US\$10,885,000) are pledged to secure general banking facilities granted to the Group.

## 9. LOAN RECEIVABLES

	<b>2019</b> <i>US\$'000</i>	2018 <i>US\$'000</i>
Fixed-rate loan receivables	<b>10,043</b>	9,162

Unsecured loan receivables carry fixed-rate interest of 12% per annum (2018: 12% – 18% per annum) and with maturity 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 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.

## 10. TRADE AND OTHER PAYABLES

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
1 to 30 days	5,873	33,021
31 to 60 days	1,419	10,134
61 to 90 days	348	1,595
Over 90 days	<u>17,170</u>	<u>1,118</u>
Trade payables	<b>24,810</b>	45,868
Accruals and other payables	<u>4,336</u>	<u>2,895</u>
	<b><u>29,146</u></b>	<b><u>48,763</u></b>

The average credit period on purchases of goods is 30 to 60 days (2018: 30 to 60 days).

## 11. SHARE CAPITAL

	Number of shares	Amounts <i>HK\$'000</i>	US\$ equivalent <i>US\$'000</i>
Ordinary shares of HK\$0.1 each:			
<b>Authorised</b>			
At 1 July 2017, 30 June 2018 and 30 June 2019	<u>2,000,000,000</u>	<u>200,000</u>	<u>25,747</u>
<b>Issued and fully paid</b>			
At 1 July 2017	921,584,783	92,159	11,851
Shares issued on 1 September 2017 ( <i>Note (a)</i> )	43,000,000	4,300	551
Shares issued on 11 October 2017 ( <i>Note (b)</i> )	<u>141,316,956</u>	<u>14,131</u>	<u>1,812</u>
At 30 June 2018	1,105,901,739	110,590	14,214
Shares issued on 23 July 2018 upon the acquisition of subsidiaries ( <i>note (c)</i> )	<u>220,800,000</u>	<u>22,080</u>	<u>2,831</u>
At 30 June 2019	<b><u>1,326,701,739</u></b>	<b><u>132,670</u></b>	<b><u>17,045</u></b>

*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 agreed.
- (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.
- (c) 220,800,000 ordinary shares 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 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, 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.

## **12. DIVIDENDS**

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 2019.

## **DIVIDEND**

The Board does not recommend a dividend for the year ended 30 June 2019 (2018: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity, financial resources and charge of group asset**

As at 30 June 2019, the Group's bank borrowings are short-term loans of approximately US\$6,892,000 (2018: US\$13,334,000) which were secured by guaranteed or by all assets of certain subsidiaries as floating charges to banks.

As at 30 June 2019, all assets of certain subsidiaries as floating charges were amounted to approximately US\$24,331,000 respectively (2018: US\$24,013,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2019, the total cash on hand amounted to approximately US\$6,845,000 (2018: US\$8,681,00).

### **Capital structure**

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

### **Gearing ratio**

As at 30 June 2019, the gearing ratio of the Group based on total liabilities over total assets was approximately 44% (2018: 53%).

### **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, 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 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 turnover was approximately US\$44,509,000, an approximate 79% decrease compared to approximately US\$211,869,000 last year. The segment's loss was approximately US\$34,392,000, compared to last year loss of approximately US\$5,089,000.

We will continue to bring down the inventory level aggressively and to stay competitive.

### ***Other brand products***

The turnover of the other brand products was approximately US\$54,592,000, an approximate 22% decrease compared to approximately US\$70,179,000 last year. The segment's loss was approximately US\$221,000, compared to last year loss of approximately US\$232,000.

We will continue to streamline the product line and to further reduce the overhead expense.

### ***Money lending service***

The Group has commenced the money lending service during the first half of 2018. For the Year, the segment's revenue was approximately US\$1,008,000, an approximate 439% increase compared to approximately US\$187,000 last year. The segment's profit was approximately US\$666,000, an approximate 340% increase, compared to last year profit of approximately US\$19,000.

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

### ***Trading business***

The Group has commenced business of the trading of chemical product in the PRC during the second half of 2018. For the Year, the segment's turnover was approximately US\$62,631,000 and the segment's loss was approximately US\$86,000.

We will continue to operate the trading business prudently.

### ***Computer software and hardware and system development***

For the Year, turnover from this segment was approximately US\$4,330,000 and the loss from this segment was 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\$1,503,000 and other loss arising from business combination including impairment loss on goodwill of approximately US\$3,845,000, change in fair value of contingent consideration of approximately US\$1,606,000 and amortisation of intangible assets of approximately US\$1,381,000.

## Significant investments and material acquisitions and/or disposals

On 9 July 2018, Talent Crest (being an indirect wholly owned subsidiary of the Company) as purchaser, Harmonious Miles as vendor and Mr. Wu Chung Man Ronnie as guarantor entered into the Sale and Purchase Agreement pursuant to which Harmonious Miles conditionally agreed to sell and Talent Crest Limited (“Talent Crest”) conditionally agreed to acquire the entire issued share capital of Eternal Abundant Limited for a consideration of HK\$220,800,000, which was satisfied by Talent Crest by procuring the Company to allot and issue an aggregate of 220,800,000 new shares of the Company. Completion took place on 23 July 2018. Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition. Saved as disclosed above, there were no 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

As at 30 June 2019, the Group had 224 employees, an approximate 57% increase from 143 employees as at 30 June 2018, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff costs, including Directors’ emoluments, was approximately US\$9,548,000 for the year ended 30 June 2019 as compared with that of approximately US\$8,409,000 for the last year.

## Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2019 and 30 June 2018.

## Use of Proceeds

**The following table sets out the breakdown of the utilised net proceeds from the Subscription and Placing as at 30 June 2019 which has been utilised**

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.

<b>Date of announcement</b>	<b>Event</b>	<b>Net Proceeds and intended use of proceeds</b>	<b>Actual use of proceeds</b>
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.	<p>As at 30 June 2018, approximately HK\$10 million of the net proceeds has been utilised for general working capital purposes, mainly towards administrative and operating expenses, and other payments. Approximately HK\$70 million of such placing proceeds has been utilised in the money lending business of the Group.</p> <p>As at 30 June 2019, approximately HK\$5.77 million of the net proceeds has been utilised for the provision of shareholder's loan to China UIP Information Technology Co. Ltd. for the development of the computer software and hardware and system development business. Approximately HK\$0.28 million of the net proceeds has been utilised for professional fees for the acquisition of Eternal Abundant Limited. Approximately HK\$3.44 million of the net proceeds has been utilised for capital injection in Pine Dahui (Shanghai) International Trading Co. Ltd.</p>



## **Mandatory unconditional cash offer and 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 ended 30 June 2019 and as at the date of this announcement.

## **Change of Auditors**

As disclosed in the announcement of the Company dated 21 June 2019, Zhonghui Anda CPA Limited has been appointed to fill the causal vacancy as a new independent auditor of the Company with effect from 21 June 2019 following the resignation of Messrs. Deloitte Touche Tomatsu and to hold office under the conclusion of the next annual general meeting of the Company.

## **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 ended 30 June 2019, 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 ("Mr. Zhang") 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 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, save as disclosed below, confirmed that they had complied with the required standards set out in 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 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.

#### **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 ended 30 June 2019, the interim results and report for the six months ended 31 December 2018 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 of review the Company’s financial report and accounts.

## **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**  
**Zhang Sanhuo**  
*Chairman*

Hong Kong, 30 September 2019

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