PINE Technology Holdings Limited

# 2013

# FORWARD

ANNUAL REPORT • Stock Code 1079

# Contents

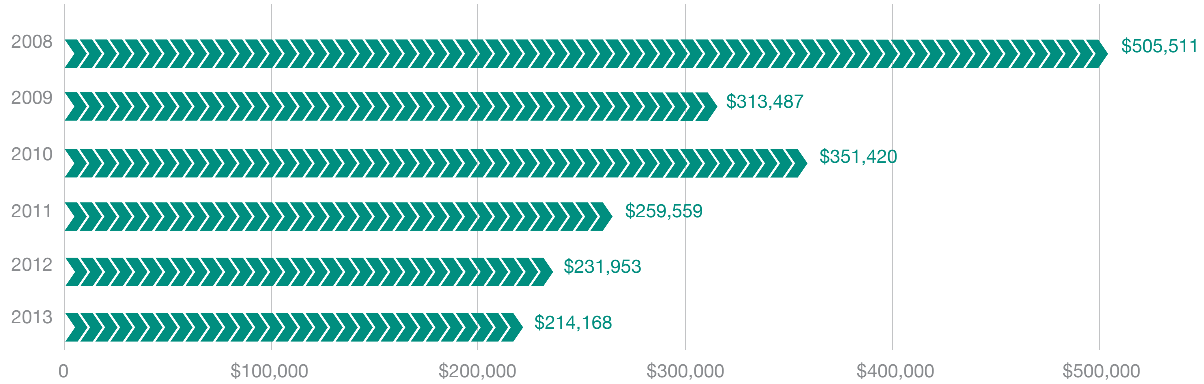
PINE Technology Holdings Limited and XFX Family of Brands

# Financial Highlights

PINE Technology Holdings Limited and XFX Family of Brands

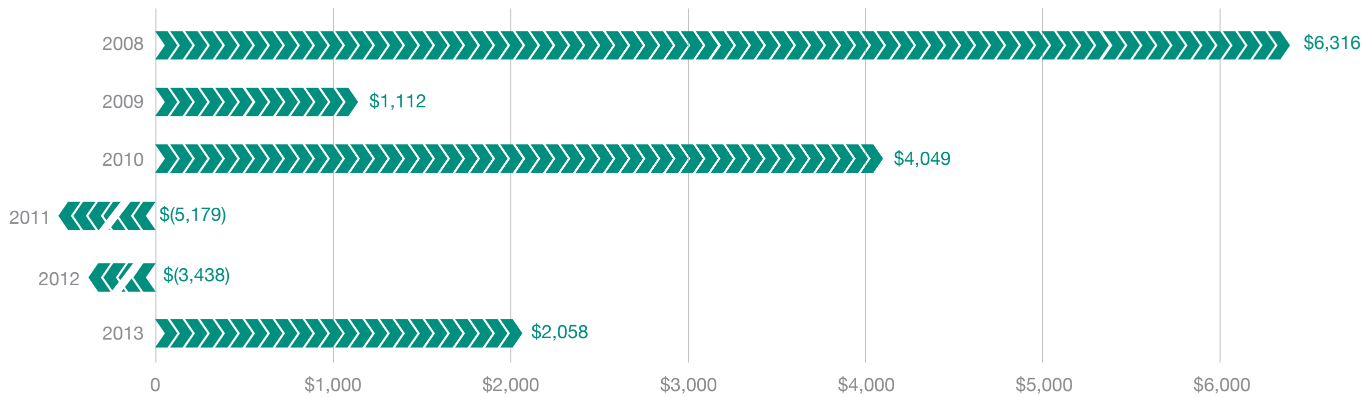
## TURNOVER

US$ Unit in Thousands



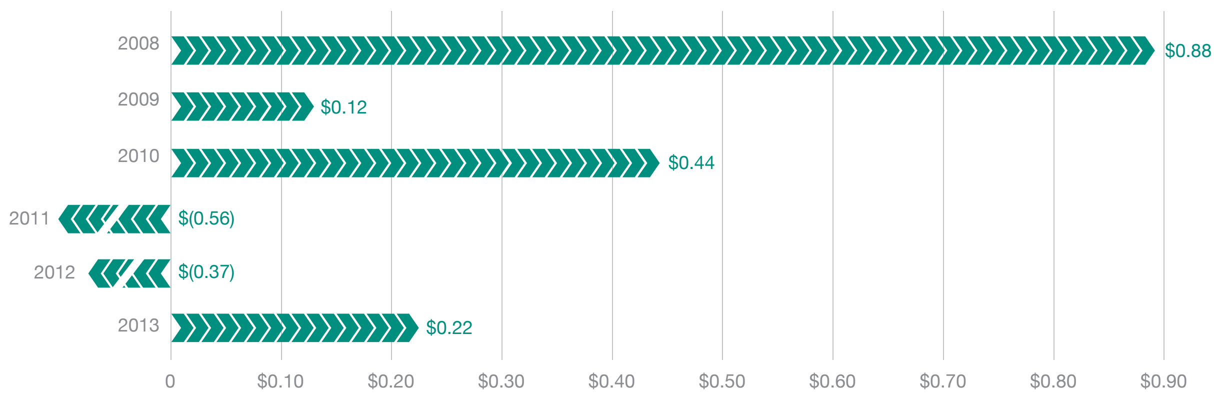

## NET PROFIT (LOSS)

US$ Unit in Thousands




## BASIC EARNINGS (LOSS) PER SHARE

US$ Units in Cents



# Corporate Information

PINE Technology Holdings Limited and XFX Family of Brands

## Board of Directors

*Executive Directors*
Mr. Chiu Hang Tai
*Chairman and Chief Executive Officer*
Mr. Chiu Samson Hang Chin
*Deputy Chairman*

*Non-Executive Director*
Mr. Chiu Herbert H T

*Independent Non-Executive Directors*
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Dr. Huang Zhijian

## Company Secretary

Mr. Leung Yiu Ming

## Audit Committee

Mr. Li Chi Chung *Chairman*
Mr. So Stephen Hon Cheung
Dr. Huang Zhijian

## Remuneration Committee

Mr. So Stephen Hon Cheung *Chairman*
Mr. Li Chi Chung
Mr. Chiu Hang Tai

## Nomination Committee

Mr. Chiu Hang Tai *Chairman*
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung

## Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## Head Office and Principal Place of Business

Unit A, 32/F, @Convoy,
169 Electric Road, North Point
Hong Kong

## Principal Bankers

China Construction Bank (Asia)
Corporation Limited
DBS Bank (Hong Kong) Limited
Manufacturers Bank
Toronto-Dominion Bank
United Overseas Bank Limited
Wing Hang Bank, Ltd.

## Principal Share Registrar and Transfer Office

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26th Floor, Tesbury Central
28 Queen's Road East
Hong Kong

## Auditors

Deloitte Touche Tohmatsu
*Certified Public Accountants*

## Legal Advisers

*As to Bermuda Law:*
Conyers Dill & Pearman

*As to Hong Kong Law:*
Chan, Tang & Kwok Solicitors

## Stock Quote

1079

## Website of the Company

www.pinegroup.com

# Corporate Profile

PINE Technology Holdings Limited and XFX Family of Brands

PINE Technology Holdings Limited ("PINE" or "the Group") is one of the world's leading companies in the design, manufacturing and distribution of PC based products. It has two core business divisions-the XFX division, the one core focus of it is specializing in the design and manufacturing of Video Graphic products for the PC and PC upgrade market under the XFX brand. Leveraging on the strong Gamers' following of the XFX brand, XFX has extended its product family to the design and distribution of the Gaming Power Supply Unit ("PSU") family to further enhance the gaming experience of the XFX enthusiasts. In addition, witnessing and anticipating the fast growing and sprouting business opportunities of the Mobile Devices market, the Group has created a brand new business entity under the Brand of AviiQ, focus on the Digital Mobility market. AviiQ is focusing to the design and distribution of all kind of accessories for this Digital Mobility community, and also to leverage on the existing global channel of XFX. The Distribution division distributes a wide range of name brand PC and non-PC products through its extensive distribution network.

The Group's strategy is to continue to leverage the success of its global XFX branding to expand its market share of the global PC gamers' market, to team up with strategic partners to develop innovative products and deliver them to the market through its national and regional distributors, system builders, resellers, retailers and etailers.

The Group is headquartered in the Hong Kong Special Administrative Region (Hong Kong SAR) with its state-of-the-art manufacturing facilities located in mainland China. PINE has its research & development facilities setup in Asia, and its global distribution and service network located throughout North America, Europe, and Asia.

Founded in 1989, PINE has been listed on the GEM board of the Hong Kong Stock Exchange (HKGEM: 8013) on 26 November 1999 and listing of shares has been transferred to the Main Board of the Hong Kong Stock Exchange since 18 November 2010 (HKSE: 1079).

# Chairman's Statement

PINE Technology Holdings Limited and XFX Family of Brands

In the fiscal year of 2013, the Group recorded a net profit of US$2,058,000 compared to a loss of US$3,438,000 in the previous year. This positive result is mainly attributed to the continuing improvement in operational efficiency and from an extraordinary foreign exchange gain.

The Group's revenue was US$214,168,000 and gross profit was US$22,115,000, compared to US$231,953,000 and US$22,056,000 respectively in the previous year. The gross margin has increased from 9.5% to 10.3%.

## Business review

Since the overall PC industry is in the downtrend, there is a direct impact on our XFX graphics card business. We have been seeing a year-to-year reduction in the graphics card revenue and we expect that the trend will continue to be uncertain.

To compensate for the downtrend of the PC market, we have been working hard to establish a better balance in our product portfolio for business beyond the PC market, and to find ways to improve our profit margin. We have accelerated the adoption of other product families, such as the gaming PSU (Power Supply Unit) and Aviiq's digital mobility product family. Over the past year its business has grown by 50% and 100% respectively.

For the distribution of other brand products ("Distribution Division"), we have successfully expanded the business beyond the PC-centric product categories by creating a new category for non-PC products, which include office furniture, home appliances, specialty food, etc. This allows us to maintain our business level and gives us an opportunity to grow beyond the PC area.

Even though the overall revenue decreased, we were able to increase the gross margin using these measures and hence we maintained the gross profit at a level similar to that of the previous year.

On the operations side, we continued to strive for better operational efficiency and to lower the overhead expenses. The combination of these efforts has resulted in a positive operational profit.

## Business outlook

This year we will be rolling out a whole new family of AMD/XFX 8-series Graphics cards to cover the market segment from the Enthusiast to the Mainstream. We also have a broader range of gaming PSU offerings. And we will continue to develop new and exciting Aviiq branded products for the expanding PC+ industry – which includes the tablet and smart phone market.

For the Distribution Division, after 2 years of building and development, our non-PC business is gaining traction. We expect this business segment to continue to grow successfully. We are also planning special sales events to capture the seasonal opportunity and to maximize the incremental business.

We understand that while we need to continue to drive for business, at the same time we need to control the overhead expenses and to leverage the Group's global synergy to improve operational efficiency.

By focusing on these business basics we believe we can strike a right balance for sustained profitability.

**Chiu Hang Tai**
*Chairman*

Hong Kong, 18 September 2013

# Management Discussion and Analysis

PINE Technology Holdings Limited and XFX Family of Brands

## Liquidity, financial resources and charge of group asset

As at 30 June 2013, the Group's borrowings comprised short-term loans of US$28,926,000 (30 June 2012: US$27,402,000) and long-term loans of US$2,246,000 (30 June 2012: US$2,289,000). The aggregate borrowings US$31,172,000 (30 June 2012: US$29,691,000) were partially secured by pledged deposits or by all assets of certain subsidiaries as floating charges to banks.

As at 30 June 2013, total pledged deposits, and all assets of certain subsidiaries as floating charges were amounted US$3,091,000 and US$38,638,000 respectively (30 June 2012: US$2,430,000 and US$41,528,000). The Group continued to maintain a healthy financial and cash position. As at 30 June 2013, the total cash on hand amounted US$8,626,000 (30 June 2012: US$12,636,000).

## Capital structure

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

## Significant investments and material acquisitions

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

## Employee

As at 30 June 2013, the Group had 243 employees, a 20% decrease from 304 employees since 30 June 2012, at market remuneration with employee benefits such as medical coverage, insurance plan, retirement benefits schemes, discretionary bonus and employee share option scheme. Staff cost, including director's emoluments, was US$8,650,000 for the year ended 30 June 2013 as compared with that of US$11,118,000 for the preceding financial year.

## Gearing ratio

As at 30 June 2013, the gearing ratio of the Group based on total liabilities over total assets was 44% (30 June 2012: 44%).

## Exchange risk

During the year under review, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars 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 forward foreign currency contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies.

## Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2013 (30 June 2012: Nil).

## Segment information

## Group's brand products

For the year, the segment's revenue decreased by 11% to US$117,578,000 from US$132,615,000 last year, the segment incurred a profit of US$3,597,000, compare to a loss US$1,693,000 last year. Going forward, we will be lighter and faster to better react to the dynamics of the uncertain business environment.

## Other brand products

The turnover of the distribution division for the year was decreased by 3% to US$96,590,000 from US$99,338,000 last year, the segmental profit was decreased to US$322,000 from US$472,000 last year. We will continue to broaden our product selection for both the PC and non-PC products to better fulfill customers' needs.

# Management Profile

PINE Technology Holdings Limited and XFX Family of Brands

## Executive Directors

Mr. Chiu Hang Tai, aged 53, is the chairman of the Company and co-founder of the Group. He was also appointed as the chief executive officer of the Group in January 2003. He is responsible for overall strategic planning and formulation of corporate strategy of the Company. He holds a bachelor degree of science in economics from Salem State College in the US and a master degree in Business Administration from Northeastern University in the United States. He has over 24 years of experience in the computer industry and also served as director of two health food companies. Chiu was awarded the 1999 Young Industrialist Award of Hong Kong. He is the brother of Mr. Chiu Samson Hang Chin and Mr. Chiu Herbert H T.

Mr. Chiu Samson Hang Chin, aged 54, is the deputy-chairman of the Company and co-founder of the Group. He is responsible for overall strategic planning and formulation of corporate strategy for the Sales and Distribution Division. He holds a bachelor degree in applied science from Queen's University in Canada and a master degree in business administration from York University in Canada. Chiu has over 29 years of experience in the PC industry. Chiu was awarded the Year 2005 ACCE Chinese Canadian Entrepreneur of year. He is the brother of Mr. Chiu Hang Tai and Mr. Chiu Herbert H T.

## Non-executive Director

Mr. Chiu Herbert H T, aged 59, obtained his Bachelor degree of Business Management from Ryerson University, Toronto, Canada in 1978. After working in the field of public accounting specializing in mining and financial services for six years, Mr. Chiu has then spent 27 years in building and leading Ginco Enterprises Inc. and HFW Holdings Limited of which he has been both the president and the majority shareholder. Mr. Chiu has considerable knowledge and experience in the investment, finance, agriculture, and commodity fields. Mr. Chiu is a member of The Canadian Institute of Chartered Accountants. He is the brother of Mr. Chin Hang Tai and Mr. Chiu Samson Hang Chin.

## Independent Non-Executive Directors

Mr. Li Chi Chung, aged 45, was appointed as an independent non-executive director of the Company in June 2000. Mr. Li is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is an independent non-executive director of Kenford Group Holdings Limited (Stock Code: 0464) which is listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From 23 March 2007 to 12 December 2011, Mr. Li was a non-executive director of Richfield Group Holdings Limited (Stock Code: 0183); and from November 2002 to 27 February 2013, Mr. Li was an independent non-executive director of Eagle Nice (International) Holdings Limited (Stock Code: 2368), both companies are listed on the main board of the Stock Exchange.

Mr. So Stephen Hon Cheung, aged 57, a director of the accounting firm T.M Ho, So & Leung CPA Limited, is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants, a member of the Society of Certified Management Accountants of Canada, a member of the Chartered Institute of Management Accountants and a fellow member of the Association of International Accountants. He holds a bachelor degree in commerce from the University of British Columbia, Canada and is now a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of China. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, China and Canada. He is also acting as independent non-executive director of Skyworth Digital Holdings Limited (Stock Code: 0751) and Milan Station Holdings Limited (Stock Code: 1150), which are companies listed on the main board of the Stock Exchange. He was appointed as an independent non-executive director of the Company in September, 2002.

Dr. Huang Zhijian, aged 67, graduated from Tsinghua University in Beijing, the People's Republic of China in 1968 and had been a lecturer at Tsinghua University during the period from 1984 to 1986. He received a Master of Science degree in 1982 and a Doctor of Philosophy degree in 1984 from the Institute of Science and Technology of the University of Manchester, the United Kingdom. Dr. Huang had held senior executive and managerial positions in various companies since 1986 including China Resources Development and Investment Co., Ltd. Dr. Huang has ample experience in and been involved in the evaluation, negotiation, equity transaction and/or management of various investment projects in different industries including the information technology industry, the telecommunication industry and the electronics industry. He is also served as an executive director of Grand Investment International Limited (Stock Code: 1160), a company listed on the main board of the Stock Exchange.

## Senior Management

Mr. Ng Royson Khing Fah, aged 54, is the president of Samtack Inc. (Canada). Mr. Ng is responsible for managing the Group's operations in Canada and oversees the development of Mass Merchant Strategies. He holds a masters degree in business administration from the University of Sarasota in the US. He has over 19 years experience in the PC industry in North America and Canada. Prior to joining the Group in September 1997, he held various management positions in the retail industry.

Mr. Eddie Memon, aged 41, is the president of XFX USA. He holds a bachelor degree in management information system from San Jose State University. Eddie currently heads the team of XFX USA with sole purpose of managing the brand to reach new heights of equity of PINE Group. He joined the Group in 1997.

## CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company has committed to maintaining high corporate governance standards.

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

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

The Board is of the view that throughout the year ended 30 June 2013, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision A.2.1, A.4.2 and A.6.7 details of which will be explained below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 30 June 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

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

## BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

*Executive Directors:*
Mr. Chiu Hang Tai (Chairman and Chief Executive Officer)
Mr. Chiu Samson Hang Chin (Deputy Chairman)

*Non-executive Director:*
Mr. Chiu Herbert H T

*Independent Non-executive Directors:*
Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Dr. Huang Zhijian

The biographical information of the directors are set out in the management profile on pages 7 to 8 of this annual report.

Mr. Chiu Samson Hang Chin, Mr. Chiu Hang Tai and Mr. Chiu Herbert H T are brothers.

### Chairman and Chief Executive Officer

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

The Chairman and CEO of the Company are held by Mr. Chiu Hang Tai who is the founder of the Company and has extensive knowledge about the management as well as the business operations of the Company. The Board believes that vesting the roles of the Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. 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.

### Independent Non-executive Directors

During the year ended 30 June 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

### Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Mr. Chiu Herbert H T, the non-executive director of the Company, is appointed for a specific term of 2 years and is subject to the retirement provisions contained in the Bye-laws of the Company.

The Company's Bye-laws provides that one third of the directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, shall retire from office by rotation at each annual general meeting. Notwithstanding the provisions of the Company's Bye-laws, the Company intends to comply with the code provision A.4.2 by way of having one-third of all the Company's directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2013 annual general meeting, Mr. Chiu Hang Tai and Mr. So Stephen Hon Cheung shall retire from office and both of them, being eligible, shall offer themselves for re-election.

### Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All directors have full and timely access to all the information of the Company as well as the service and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

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

### Continuous Professional Development of Directors

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

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

All directors have provided their training records to the Company.

## BOARD COMMITTEES

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

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3.

### Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and 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.

The Audit Committee held three meetings to review interim and annual financial results and reports in respect of the year ended 30 June 2013 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee met the external auditors twice during the year ended 30 June 2013.

### Remuneration Committee

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

The Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors, Non-executive directors and senior management and other related matters.

### Nomination Committee

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

The Nomination Committee of the Company was established on 29 March 2012. It met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. Additional meetings may be held as and when required.

### Corporate Governance Functions

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

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

## ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 30 June 2013 is set out in the table below:

| Name of Director | Board | Remuneration Committee | Audit Committee | Nomination Committee | 2012 Annual General Meeting |
|---|---|---|---|---|---|
| *Executive Directors* | | | | | |
| Mr. Chiu Hang Tai | 6/6 | 1/1 | – | 1/1 | 1/1 |
| Mr. Chiu Samson Hang Chin | 5/6 | – | – | – | 0/1 |
| *Non-executive Director* | | | | | |
| Mr. Chiu Herbert H T | 4/6 | – | – | – | *0/1 |
| *Independent Non-executive Director* | | | | | |
| Mr. Li Chi Chung | 4/6 | 1/1 | 3/3 | 1/1 | 1/1 |
| Mr. So Stephen Hon Cheung | 4/6 | 1/1 | 3/3 | 1/1 | 1/1 |
| Dr. Huang Zhijian | 4/6 | – | 3/3 | – | 1/1 |

* Code provision A.6.7 stipulates non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chiu Hebert H T, non-executive director of the company, was absent from the annual general meeting of the company held on 7 November 2012 due to other business commitment.

Apart from regular Board meetings, the Chairman also held a meeting with all the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Director during the year.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2013.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 22 to 23.

## AUDITORS' REMUNERATION

During the year ended 30 June 2013, the remuneration paid to the Company's external auditors, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 30 June 2013 amounted to US$461,000 and US$13,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 30 June 2013 is set out below:

| Service Category | Fees Paid/Payable US$ |
|---|---|
| Audit Services | 461,000 |
| Non-audit Services | 13,000 |
| – tax services for the Group | |
| – agreed upon procedures on Group's annual result announcement | |
| | 474,000 |

## INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

## SHAREHOLDERS' RIGHTS

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

### 1. Convening a Special General Meeting by Shareholders

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

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

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

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

## 2. Putting Forward Proposals at General Meetings

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

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

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

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

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

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

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

## 3. Putting Forward Enquiries to the Board

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

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

### 4. Contact Details

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

Address: Unit A, 32/F., @Convoy, 169 Electric Road, North Point, Hong Kong
(For the attention of the Board of Directors)
Fax: 2334-0775
Email: investors@pinegroup.com

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

Shareholders may call the Company at 2773-9911 for any assistance.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

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

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

## Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2013.

## Principal Activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 30 June 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 24.

The directors of the Company do not recommend a dividend for the year ended 30 June 2013 (2012: Nil).

## Property, Plant and Equipment

During the year, the Group acquired additional property, plant and equipment at a cost of approximately US$442,000.

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

## Share Capital and Share Options Schemes

Details of the Company's share capital and share option schemes are set out in notes 25 and 27 to the consolidated financial statements respectively.

## Distributable Reserves of the Company

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on pages 27 to 28 and the Company's reserves available for distribution to shareholders as at 30 June 2013 were as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| Contributed surplus | **9,036** | 9,036 |
| Retained profits | **567** | 401 |
| | **9,603** | 9,437 |

Under the Companies Act 1981 at Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

## Purchase, Sale of Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Directors

The directors of the Company during the year and up to the date of this report are:

***Executive directors:***

Mr. Chiu Hang Tai – Chairman
Mr. Chiu Samson Hang Chin – Deputy Chairman

***Non-executive director:***

Mr. Chiu Herbert H T

***Independent non-executive directors:***

Mr. Li Chi Chung
Mr. So Stephen Hon Cheung
Dr. Huang Zhijian

The Company's Bye-law provides that one-third of the directors, with the exception of chairman, Deputy Chairman, Managing Director and joint Managing Director, shall retire from office by rotation at each annual general meeting. In order to put in place good corporate governance practice, notwithstanding the provisions of the Company's Bye-laws, the Company intends to have one-third of all the Company's directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2013 annual general meeting, Mr. Chiu Hang Tai and Mr. So Stephen Hon Cheung will retire from office and both of them, being eligible, shall offer themselves for re-election pursuant to Bye-law 111.

## Directors' Service Contracts

Mr. Li Chi Chung, Mr. So Stephen Hon Cheung and Dr. Huang Zhijian were appointed for a term of 2 years expiring on 8 June 2014, 12 September 2014 and 28 June 2014 respectively.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## Directors' Interests in Shares

At 30 June 2013, the interests of the directors and their associates in the shares capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long positions:

**(a) Ordinary shares of HK$0.1 each of the Company**

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Chiu Hang Tai | Controlled corporation/ Beneficial owner (note) | 216,402,465 | 23.49% |
| Mr. Chiu Samson Hang Chin | Beneficial owner | 174,889,563 | 18.99% |
| Mr. Chiu Herbert H T | Beneficial owner | 66,051,465 | 7.17% |

Note: Of the 216,402,465 ordinary shares, 19,902,465 shares are registered in the personal name of Mr. Chiu Hang Tai, and the remaining 196,500,000 shares are beneficially owned by and registered in the name of Alliance Express Group Limited, which is incorporated in the British Virgin Islands ("BVI") and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai, an executive director of the Company.

**(b) Share options**

| Name of director | Capacity | Number of share options held | Number of shares underlying |
|---|---|---|---|
| Mr. Chiu Hang Tai | Beneficial owner | 5,970,000 | 5,970,000 |
| Mr. Chiu Samson Hang Chin | Beneficial owner | 5,470,000 | 5,470,000 |

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, spouse of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at 30 June 2013. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK$1,000 million, as specified in the Articles of Association of the subsidiary, to holders of ordinary shares.

Save as disclosed above, and other than certain nominee shares in subsidiaries held by directors in trust for the Company's subsidiaries as at 30 June 2013, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## Share Options

Particulars of the Company's share option schemes are set out in note 27 to the consolidated financial statements.

The Company's share option scheme adopted by the shareholders pursuant to a resolution passed on 16 April 2003 (the "Scheme") is for the purpose of providing incentives to directors and eligible employees or any persons who have contributed or will contribute to the Group was expired on 15 April 2013.

Details of share options outstanding as at 30 June 2013 which have been granted under the Scheme to certain directors to subscribe for shares in the Company are as follows:

| Name of director | Date of grant | Exercisable period | Exercise price | Number of share options at 30 June 2012 |
|---|---|---|---|---|
| | | (both dates inclusive) | HK$ | |
| Mr. Chiu Hang Tai | 30.3.2010 | 30.3.2011 to 29.3.2014 | 0.275 | 5,970,000 |
| Mr. Chiu Samson Hang Chin | 30.3.2010 | 30.3.2011 to 29.3.2014 | 0.275 | 5,470,000 |
| | | | | 11,440,000 |

No share options were granted, exercised or cancelled during the year.

## Arrangement to Acquire Shares or Debentures

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

## Directors' Interests in Contracts of Significance

No contract of significance, to which the Company subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interest in Competing Business

None of the directors and their respective associates has any competing interests which require to be disclosed pursuant to Rule 8.10 (2)(b)&(c) of the Listing Rules during the year.

## Substantial Shareholders

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

| Name of shareholder | Capacity | Number of issued ordinary shares held (long positions) | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Alliance Express Group Limited | Beneficial owner (Note 1) | 196,500,000 | 21.34% |
| Chiu Man Wah (Note 2) | Beneficial owner | 67,944,591 | 7.37% |

Notes: 1) These shares are beneficially owned by and registered in the name of Alliance Express Group Limited, which is incorporated in BVI and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai, an executive director of the Company.

2) The holder is sibling of Mr. Chiu Hang Tai, Mr. Chiu Samson Hang Chin, and Mr. Chiu Herbert H T, who are directors of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2013.

### Convertible Securities, Options, Warrants or Similar Rights

Other than the share options as set out in note 27 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2013.

### Major Customers and Suppliers

For the year ended 30 June 2013, the top five suppliers of the Group together accounted for approximately 47.4% of the Group's total purchases and the largest supplier accounted for approximately 29.1% of the Group's total purchases.

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

For the year ended 30 June 2013, the Group's five largest customers accounted for less than 30% of the total sales of the Group.

### Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the schemes are set out in note 27 to the consolidated financial statements.

### Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 30 June 2013.

### Pre-Emptive Rights

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

### Auditor

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

On behalf of the Board

**Chiu Hang Tai**
*CHAIRMAN*

Hong Kong, 18 September 2013

# Independent Auditor's Report

**Deloitte.**
**德勤**

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

We have audited the consolidated financial statements of PINE Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 82, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

# Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
18 September 2013

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

| | NOTES | 2013 US$'000 | 2012 US$'000 |
|---|---|---|---|
| Turnover | 5 | **214,168** | 231,953 |
| Cost of sales | | **(192,053)** | (209,897) |
| Gross profit | | **22,115** | 22,056 |
| Other income | | **872** | 361 |
| Selling and distribution expenses | | **(6,950)** | (7,825) |
| General and administrative expenses | | **(13,835)** | (17,733) |
| Other gains and losses | 6 | **910** | 783 |
| Finance costs | 7 | **(958)** | (880) |
| Profit (loss) before tax | | **2,154** | (3,238) |
| Income tax expense | 10 | **(96)** | (200) |
| Profit (loss) for the year | 11 | **2,058** | (3,438) |
| **Other comprehensive (expense) income:** | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Exchange differences arising on translation of foreign operations | | **(121)** | 393 |
| Reclassification of exchange reserve to profit or loss upon liquidation of subsidiaries | | **(1,825)** | – |
| Fair value gain (loss) on available-for-sale investments | | **64** | (32) |
| Other comprehensive (expense) income for the year | | **(1,882)** | 361 |
| Total comprehensive income (expense) for the year | | **176** | (3,077) |
| Earnings (loss) per share | 12 | | |
| Basic (US cents) | | **0.22** | (0.37) |
| Diluted (US cents) | | **0.22** | (0.37) |

# Consolidated Statement of Financial Position

At 30 June 2013

| | NOTES | **2013 US$'000** | 2012 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **6,136** | 7,795 |
| Development costs | 14 | **792** | 1,920 |
| Trademarks | 15 | **294** | 280 |
| Available-for-sale investments | 16 | **134** | 70 |
| Deposit placed for a life insurance policy | 17 | **400** | 384 |
| Rental deposit | | **103** | 66 |
| | | **7,859** | 10,515 |
| **Current assets** | | | |
| Inventories | 18 | **59,498** | 56,890 |
| Trade, bills and other receivables | 19 | **50,332** | 45,977 |
| Tax recoverable | | **15** | 212 |
| Pledged bank deposits | 20 | **2,691** | 2,046 |
| Bank balances and cash | 21 | **8,626** | 12,636 |
| | | **121,162** | 117,761 |
| **Current liabilities** | | | |
| Trade, bills and other payables | 22 | **24,616** | 25,628 |
| Tax payable | | **1,479** | 1,329 |
| Obligations under finance leases | 23 | **14** | 3 |
| Bank borrowings | 24 | **28,926** | 27,402 |
| | | **55,035** | 54,362 |
| Net current assets | | **66,127** | 63,399 |
| | | **73,986** | 73,914 |

# Consolidated Statement of Financial Position

At 30 June 2013

| | NOTES | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 25 | **11,844** | 11,844 |
| Share premium and reserves | | **59,831** | 59,650 |
| Total equity | | **71,675** | 71,494 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | 23 | **65** | 1 |
| Bank borrowings | 24 | **2,246** | 2,289 |
| Deferred taxation | 26 | **–** | 130 |
| | | **2,311** | 2,420 |
| | | **73,986** | 73,914 |

The consolidated financial statements on pages 24 to 82 were approved and authorised for issue by the Board of Directors on 18 September 2013 and are signed on its behalf by:

**Chiu Hang Tai**
*DIRECTOR*

**Chiu Samson Hang Chin**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

| | Share capital US$'000 | Share premium US$'000 | Surplus account US$'000 (note 1) | Exchange reserve US$'000 | Capital reserve US$'000 (note 2) | Investments revaluation reserve US$'000 | Share options reserve US$'000 | Retained profits US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2011 | 11,844 | 27,063 | 2,954 | 3,251 | 63 | (121) | 555 | 28,955 | 74,564 |
| Loss for the year | – | – | – | – | – | – | – | (3,438) | (3,438) |
| **Other comprehensive income (expense) for the year** | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | – | 393 | – | – | – | – | 393 |
| Fair value loss on available-for-sale investments | – | – | – | – | – | (32) | – | – | (32) |
| | – | – | – | 393 | – | (32) | – | – | 361 |
| Total comprehensive income (expense) for the year | – | – | – | 393 | – | (32) | – | (3,438) | (3,077) |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | 7 | – | 7 |
| Transfer upon forfeiture/expiry of share options | – | – | – | – | – | – | (171) | 171 | – |
| At 30 June 2012 | 11,844 | 27,063 | 2,954 | 3,644 | 63 | (153) | 391 | 25,688 | 71,494 |
| Profit for the year | – | – | – | – | – | – | – | 2,058 | 2,058 |
| **Other comprehensive (expense) income for the year** | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | – | (121) | – | – | – | – | (121) |
| Reclassification of exchange reserve to profit or loss upon liquidation of subsidiaries | – | – | – | (1,825) | – | – | – | – | (1,825) |
| Fair value gain on available-for-sale investments | – | – | – | – | – | 64 | – | – | 64 |
| | – | – | – | (1,946) | – | 64 | – | – | (1,882) |
| Total comprehensive (expense) income for the year | – | – | – | (1,946) | – | 64 | – | 2,058 | 176 |
| Recognition of equity-settled share-based payments | – | – | – | – | – | – | 5 | – | 5 |
| Transfer upon liquidation of a subsidiary | – | – | – | – | (63) | – | – | 63 | – |
| Transfer upon expiry of share options | – | – | – | – | – | – | (172) | 172 | – |
| At 30 June 2013 | 11,844 | 27,063 | 2,954 | 1,698 | – | (89) | 224 | 27,981 | 71,675 |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

Notes:

(1) 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.

(2) Capital reserve represents statutory reserves transferred from retained profits as required by the relevant laws and regulations applicable to the Company's subsidiaries in the People's Republic of China ("PRC") at the discretion of the board of directors of respective subsidiaries. Capital reserve has been transferred to retained profits upon liquidation of a subsidiary during the current year.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2013

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit (loss) before tax | **2,154** | (3,238) |
| Adjustments for: | | |
| Finance costs | **958** | 880 |
| Interest income | **(105)** | (39) |
| (Gain) loss on disposal of property, plant and equipment | **(15)** | 231 |
| Allowance for doubtful debts recognised (reversed), net | **686** | (844) |
| (Reversal of) allowance for inventories | **(206)** | 1,765 |
| Amortisation of development costs | **1,677** | 1,455 |
| Amortisation of trademarks | **22** | 19 |
| Written off of trademarks | **–** | 17 |
| Written off of property, plant and equipment | **263** | – |
| Depreciation of property, plant and equipment | **1,853** | 2,987 |
| Share option expenses | **5** | 7 |
| Reclassification of exchange reserve to profit or loss upon liquidation of subsidiaries | **(1,825)** | – |
| Operating cash flow before movements in working capital | **5,467** | 3,240 |
| Increase in inventories | **(2,587)** | (12,419) |
| (Increase) decrease in trade, bills and other receivables | **(5,237)** | 2,693 |
| (Decrease) increase in trade, bills and other payables | **(1,113)** | 8,864 |
| Cash (used in) generated from operations | **(3,470)** | 2,378 |
| Interest paid on bank borrowings | **(955)** | (879) |
| Interest paid on finance leases | **(3)** | (1) |
| Hong Kong Profits Tax paid | **(19)** | (47) |
| PRC income tax paid | **(37)** | (155) |
| Overseas tax paid | **(28)** | (1) |
| Overseas tax refunded | **204** | 1,146 |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | **(4,308)** | 2,441 |
| INVESTING ACTIVITIES | | |
| Interest received | **89** | 18 |
| Proceeds from disposal of property, plant and equipment | **53** | 49 |
| Purchase of property, plant and equipment | **(353)** | (548) |
| Development expenditure incurred | **(541)** | (1,601) |
| Additions of trademark | **(36)** | (131) |
| Placement of pledged bank deposits | **(645)** | (4) |
| Withdrawal of pledged bank deposits | **–** | 1,242 |
| Deposit placed for a life insurance policy | **–** | (363) |
| NET CASH USED IN INVESTING ACTIVITIES | **(1,433)** | (1,338) |

# Consolidated Statement of Cash Flows

For the year ended 30 June 2013

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| FINANCING ACTIVITIES | | |
| New bank borrowings raised | **80,222** | 84,698 |
| Repayment of bank borrowings | **(78,487)** | (83,478) |
| Repayment of obligations under finance leases | **(14)** | (3) |
| NET CASH FROM FINANCING ACTIVITIES | **1,721** | 1,217 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(4,020)** | 2,320 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **12,636** | 10,310 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **10** | 6 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | **8,626** | 12,636 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | **8,626** | 12,636 |

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street Hamilton HM11, Bermuda and Unit A, 32/F, @ Convoy, 169 Electric Road, North Point, Hong Kong, respectively.

The consolidated financial statements are presented in United States dollars, which is the same as the functional currency of the Company.

The principal activities of the Group are the manufacturing and sales of high-quality computer components and consumer electronic products.

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 36.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKAS 12 | Deferred Tax – Recovery of Underlying Assets |

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Upon application of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 require additional disclosures to be made in the other comprehenisve section such that items of other comprehensive income are grouped into two categories: (a) items that will not be classified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*** *(Continued)*

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle[1] |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[2] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[2] |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |
| HK(IFRIC)-Int 21 | Levies[2] |

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

***HKFRS 9 Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to change in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2015 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

***HKFRS 13 Fair Value Measurement***

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2013 and that the application of this new Standard may result in more extensive disclosures in the consolidated financial statements.

Except as described above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Property, plant and equipment

Property, plant and equipment including freehold land and building are held for use in the production or supply of goods, or for administrative purpose. Property, plant and equipment, other than freehold land, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. No depreciation is provided for freehold land which is stated at cost less subsequent accumulated impairment losses, if any.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment *(Continued)*

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

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

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

### Intangible assets

***Trademark***

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

***Research and development expenditure***

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Intangible assets *(Continued)*

***Research and development expenditure*** *(Continued)*

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment losses on tangible and intangible assets *(Continued)*

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

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

#### *Financial assets*

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

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

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

*Loans and receivables*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Equity securities that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Dividends on available-for-sale equity investments are recognised in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

*Impairment loss on financial assets*

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

For an available-for-sale equity investment, a significant or prolonged decline in fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Impairment loss on financial assets (Continued)*

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flow discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve.

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial liabilities and equity instruments*** *(Continued)*

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Financial liabilities*

Financial liabilities including trade, bills and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

### Leasing

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing *(Continued)*

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### Taxation

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

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

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

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

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

### Foreign currencies

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payment transactions

***Equity-settled share-based payment transactions***

*Share options granted to employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulated expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

### Retirement benefits costs

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

*Net realisable value of inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and estimated selling expenses. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions. As at 30 June 2013, the carrying amount of inventories is approximately US$59,498,000, net of allowance for inventories of approximately US$1,677,000 (2012: the carrying amount of inventories is approximately US$56,890,000, net of allowance for inventories of approximately US$1,909,000).

*Estimated impairment of trade receivables*

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows of respective trade receivable. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2013, the carrying amount of trade receivables is approximately US$48,453,000, net of allowance for doubtful debts of approximately US$3,033,000 (2012: the carrying amount of trade receivables is approximately US$42,600,000, net of allowance for doubtful debts of approximately US$2,769,000).

## 5. TURNOVER AND SEGMENT INFORMATION

Turnover 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 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 CODM have been aggregated in arriving at the reportable segments of the Group.

## 5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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.

**2013**

| | Group's brand products US$'000 | Other brand products US$'000 | Consolidated US$'000 |
|---|---|---|---|
| TURNOVER | | | |
| External sales | **117,578** | **96,590** | **214,168** |
| SEGMENT RESULT | **3,597** | **322** | **3,919** |
| Interest income | | | **105** |
| Unallocated corporate expense | | | **(912)** |
| Finance costs | | | **(958)** |
| Profit before tax | | | **2,154** |

**2012**

| | Group's brand products US$'000 | Other brand products US$'000 | Consolidated US$'000 |
|---|---|---|---|
| TURNOVER | | | |
| External sales | 132,615 | 99,338 | 231,953 |
| SEGMENT RESULT | (1,693) | 472 | (1,221) |
| Interest income | | | 39 |
| Unallocated corporate expense | | | (1,176) |
| Finance costs | | | (880) |
| Loss before tax | | | (3,238) |

## 5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

### 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$109,007,000 (2012: US$127,351,000). Others are derived from the sales of other computer components amounting to US$93,887,000 (2012: US$96,817,000) and sales of consumer electronic products and others amounting to US$11,274,000 (2012: US$7,785,000).

### Geographical information

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

| | **Revenue by external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Canada | **73,380** | 78,369 | **500** | 587 |
| United States | **65,855** | 77,520 | **3,654** | 3,729 |
| Asia | **38,399** | 31,145 | **3,160** | 5,738 |
| Others | **36,534** | 44,919 | **11** | 7 |
| | **214,168** | 231,953 | **7,325** | 10,061 |

Note: Non-current assets exclude financial instruments.

### Information about major customers

Included in revenue arising from sales of other brand products of US$96,590,000 (2012: US$99,338,000) are revenue of US$15,801,000 (2012: US$18,314,000) which arose from sales to the Group's largest customer.

No segment asset, liabilities and other segment information in the measure of Group's segment result and segment assets are presented as the information is not reported to the CODM for the purposes of resource allocation and performance assessment.

## 6. OTHER GAINS AND LOSSES

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| Exchange gain, net | **19** | 187 |
| Gain (loss) on disposal of property, plant and equipment | **15** | (231) |
| Allowance for doubtful debts (recognised) reversed, net | **(686)** | 844 |
| Written off of trademark | **–** | (17) |
| Written off of property, plant and equipment | **(263)** | – |
| Reclassification of exchange reserve to profit or loss upon liquidation of subsidiaries (note) | **1,825** | – |
| | **910** | 783 |

Note: Certain subsidiaries of the Company have completed the liquidation process during the current year. The cumulative exchange differences arising on translation of net assets of these subsidiaries are reclassified from exchange reserve to profit or loss upon liquidation. No significant gain or loss is resulted from the liquidation of these subsidiaries.

## 7. FINANCE COSTS

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| Interest on: | | |
| Bank borrowings wholly repayable | | |
| – within five years | **955** | 723 |
| – over five years | **–** | 156 |
| Finance leases | **3** | 1 |
| | **958** | 880 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| Fees: | | |
| Executive directors | **62** | 62 |
| Non-executive director | **15** | 15 |
| Independent non-executive directors | **45** | 45 |
| | **122** | 122 |
| Other emoluments to executive directors: | | |
| Basic salaries and other benefits | **331** | 371 |
| Retirement benefits schemes contributions | **2** | 2 |
| | **333** | 373 |
| | **455** | 495 |

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

| | **Directors' fees** | | **Basic salaries and other benefits** | | **Retirement benefits schemes contributions** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Executive directors** | | | | | | | | |
| Mr. Chiu Hang Tai | **31** | 31 | **202** | 231 | **2** | 2 | **235** | 264 |
| Mr. Chiu Samson Hang Chin | **31** | 31 | **129** | 140 | **–** | – | **160** | 171 |
| | **62** | 62 | **331** | 371 | **2** | 2 | **395** | 435 |
| **Non-executive director** | | | | | | | | |
| Mr. Chiu Herbert H T | **15** | 15 | **–** | – | **–** | – | **15** | 15 |
| **Independent non-executive directors** | | | | | | | | |
| Mr. Li Chi Chung | **15** | 15 | **–** | – | **–** | – | **15** | 15 |
| Mr. So Stephen Hon Cheung | **15** | 15 | **–** | – | **–** | – | **15** | 15 |
| Dr. Huang Zhijian | **15** | 15 | **–** | – | **–** | – | **15** | 15 |
| | **45** | 45 | **–** | – | **–** | – | **45** | 45 |
| | **122** | 122 | **331** | 371 | **2** | 2 | **455** | 495 |

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

Mr. Chiu Hang Tai is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

No director or chief executive waived any emoluments during the year ended 30 June 2013 and 30 June 2012.

## 9. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group include two (2012: two) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining three (2012: three) individuals are as follows:

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| Basic salaries and other benefits | **344** | 341 |
| Contributions to retirement benefits schemes | **–** | 14 |
| | **344** | 355 |

Their emoluments were within the following bands:

| | **2013** | 2012 |
|---|---|---|
| | **Number** | Number |
| US$Nil to US$129,000 | **2** | 2 |
| US$129,001 to US$193,000 | **1** | 1 |

The remuneration of senior management, excluding directors, is within the following bands:

| | **2013** | 2012 |
|---|---|---|
| | **Number** | Number |
| US$Nil to US$129,000 | **1** | 2 |
| US$129,001 to US$193,000 | **1** | 1 |

During each of the two years ended 30 June 2013, no emolument was paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10. INCOME TAX EXPENSE

| | **2013** **US$'000** | 2012 US$'000 |
|---|---|---|
| Current tax | | |
| Hong Kong | **8** | 6 |
| PRC Enterprise Income Tax | **93** | 104 |
| Other jurisdictions | **145** | 91 |
| (Over)underprovision in prior years | | |
| Hong Kong | **(1)** | (1) |
| PRC Enterprise Income Tax | **23** | – |
| Other jurisdictions | **(42)** | – |
| | **226** | 200 |
| Deferred taxation (note 26) | **(130)** | – |
| | **96** | 200 |

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

Other jurisdictions mainly included the United States and Canada.

Taxation arising in the PRC and 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.

東莞嘉耀電子有限公司, a subsidiary of the Company, was entitled to the two year's exemption from Enterprise Income Tax followed by three years of 50% tax deduction commencing from the first profit-making year with effect from 1 January 2008. Therefore, the applicable tax rate of 東莞嘉耀電子有限公司 is 25% from 1 January 2013 onwards.

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

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

| | **2013** **US$'000** | 2012 US$'000 |
|---|---|---|
| Profit (loss) before tax | **2,154** | (3,238) |
| Tax at the applicable tax rate of 40% (2012: 40%) (note) | **862** | (1,295) |
| Tax effect of expenses not deductible for tax purpose | **230** | 73 |
| Tax effect of income not taxable for tax purpose | **(752)** | (225) |
| Tax effect of utilisation of tax losses previously not recognised | **(158)** | (25) |
| Tax effect of tax losses not recognised | **247** | 2,202 |
| Tax effect of deductible temporary difference not recognised | **225** | – |
| Overprovision in respect of prior years | **(20)** | (1) |
| Effect of tax exemption granted to a subsidiary | **(301)** | (368) |
| Effect of income tax on concessionary rate | **(34)** | (156) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(83)** | (27) |
| Deferred tax associated with undistributed earnings of a subsidiary | **(130)** | 1 |
| Others | **10** | 21 |
| Tax expense for the year | **96** | 200 |

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

## 11. PROFIT (LOSS) FOR THE YEAR

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Profit (loss) for the year has been arrived at after charging (crediting): | | |
| Amortisation charges: | | |
| Development costs (included in cost of sales) | **1,677** | 1,455 |
| Trademarks | **22** | 19 |
| Auditor's remuneration | **463** | 425 |
| Cost of inventories recognised as an expense, including reversal of allowance for inventories of approximately US$206,000 (2012: allowance of inventories of approximately US$1,765,000) | **192,053** | 209,897 |
| Depreciation of property, plant and equipment | **1,853** | 2,987 |
| Operating lease rentals in respect of land and buildings | **1,497** | 1,599 |
| Research and development costs | **109** | 449 |
| Staff costs: | | |
| Directors' and chief executive's emoluments | **455** | 495 |
| Other staff costs | **8,195** | 10,623 |
| | **8,650** | 11,118 |
| Less: Staff costs capitalised in development costs | **(358)** | (441) |
| | **8,292** | 10,677 |
| Interest income on bank deposits | **(89)** | (18) |
| Interest income on deposit placed for a life insurance policy | **(16)** | (21) |

## 12. EARNINGS (LOSS) PER SHARE

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

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| Earnings (loss) for the year attributable to the owners of the company | **2,058** | (3,438) |
| | **'000** | '000 |
| Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share | **920,985** | 920,985 |

During the year ended 30 June 2013, the calculation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options is higher than the average market price for the year.

During the year ended 30 June 2012, the calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise of the share options would result in a reduction in loss per share for the year.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and building in the United States US$'000 | Leasehold improvements US$'000 | Plant and machinery US$'000 | Motor vehicles US$'000 | Furniture, fixtures and equipment US$'000 | Computer equipment US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 July 2011 | 3,416 | 5,342 | 15,689 | 394 | 866 | 3,446 | 29,153 |
| Exchange adjustments | – | 38 | 267 | – | – | 44 | 349 |
| Additions | – | 284 | 107 | – | 91 | 66 | 548 |
| Disposals/written off | – | (350) | (1,177) | (51) | (52) | (251) | (1,881) |
| At 30 June 2012 | 3,416 | 5,314 | 14,886 | 343 | 905 | 3,305 | 28,169 |
| Exchange adjustments | – | (30) | 44 | (5) | – | (53) | (44) |
| Additions | – | 20 | 287 | 90 | 21 | 24 | 442 |
| Disposals/written off | – | (75) | (23) | (174) | (7) | (621) | (900) |
| At 30 June 2013 | 3,416 | 5,229 | 15,194 | 254 | 919 | 2,655 | 27,667 |
| DEPRECIATION AND AMORTISATION | | | | | | | |
| At 1 July 2011 | – | 4,303 | 11,217 | 327 | 628 | 2,292 | 18,767 |
| Exchange adjustments | – | 22 | 164 | – | – | 35 | 221 |
| Provided for the year | 79 | 142 | 2,136 | 15 | 132 | 483 | 2,987 |
| Eliminated on disposals/written off | – | (290) | (1,028) | (31) | (34) | (218) | (1,601) |
| At 30 June 2012 | 79 | 4,177 | 12,489 | 311 | 726 | 2,592 | 20,374 |
| Exchange adjustments | – | (19) | (32) | (2) | – | (44) | (97) |
| Provided for the year | 60 | 137 | 1,334 | 22 | 49 | 251 | 1,853 |
| Eliminated on disposals/written off | – | (46) | (20) | (174) | (7) | (352) | (599) |
| At 30 June 2013 | 139 | 4,249 | 13,771 | 157 | 768 | 2,447 | 21,531 |
| CARRYING VALUES | | | | | | | |
| At 30 June 2013 | 3,277 | 980 | 1,423 | 97 | 151 | 208 | 6,136 |
| At 30 June 2012 | 3,337 | 1,137 | 2,397 | 32 | 179 | 713 | 7,795 |

Included in freehold land and building is freehold land of US$1,064,000 (2012: US$1,064,000) which can be separated reliably.

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

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

| | **Estimated useful lives** |
|---|---|
| Building | 35 years |
| Leasehold improvements | 2-10 years |
| Plant and machinery | 2-10 years |
| Motor vehicles | 4-6 years |
| Furniture, fixtures and equipment | 4-6 years |
| Computer equipment | 4-5 years |

The carrying values of furniture, fixtures and equipment includes an amount of US$77,000 (2012: US$3,000) in respect of assets held under finance leases.

During the current year, a computer equipment with a carrying amount of US$263,000 (2012: nil) was written off as it was replaced by a new computer equipment due to technical obsolescence.

## 14. DEVELOPMENT COSTS

| | US$'000 |
|---|---|
| COST | |
| At 1 July 2011 | 14,373 |
| Exchange adjustments | 50 |
| Additions | 1,601 |
| Written off | (9,802) |
| At 30 June 2012 | 6,222 |
| Exchange adjustments | 141 |
| Additions | 541 |
| Written off | (965) |
| At 30 June 2013 | 5,939 |
| AMORTISATION | |
| At 1 July 2011 | 12,607 |
| Exchange adjustments | 42 |
| Provided for the year | 1,455 |
| Written off | (9,802) |
| At 30 June 2012 | 4,302 |
| Exchange adjustments | 133 |
| Provided for the year | 1,677 |
| Written off | (965) |
| At 30 June 2013 | 5,147 |
| CARRYING VALUES | |
| At 30 June 2013 | 792 |
| At 30 June 2012 | 1,920 |

The amortisation period for development costs is two years.

At the end of the reporting period, the directors of the Company conducted a review on the Group's development costs and concluded that certain technologies which had been fully amortised were not expected to generate future economic benefits to the Group. Accordingly, these development costs were written off.

## 15. TRADEMARKS

| | US$'000 |
|---|---|
| COST | |
| At 1 July 2011 | 278 |
| Exchange adjustments | (2) |
| Addition | 131 |
| Written off | (77) |
| At 30 June 2012 | 330 |
| Addition | 36 |
| At 30 June 2013 | 366 |
| AMORTISATION | |
| At 1 July 2011 | 93 |
| Exchange adjustments | (2) |
| Provided for the year | 19 |
| Written off | (60) |
| At 30 June 2012 | 50 |
| Provided for the year | 22 |
| At 30 June 2013 | 72 |
| CARRYING VALUES | |
| At 30 June 2013 | 294 |
| At 30 June 2012 | 280 |

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

## 16. AVAILABLE-FOR-SALE INVESTMENTS

| | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| Equity securities listed in Hong Kong, at fair value | **134** | 70 |

At the end of the reporting period, all available-for-sale investments are stated at fair value, which have been determined by reference to the latest market bid price quoted in active markets.

## 17. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

| | **2013** **US$'000** | 2012 US$'000 |
|---|---|---|
| Deposit placed for a life insurance policy – due after one year | **400** | 384 |

The Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is approximately US$800,000 (2012: US$800,000). At inception of the life insurance policy, the Group is required to pay an upfront payment of US$400,000, including an insurance premium charge of US$24,000. The Group may request full surrender of the policy at any time and receive cash back based on the value of the life insurance policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the insurance premium charge (the "Cash Value"). If such withdrawal is made between the 1st to 20th policy year, a pre-determined specified surrender charge would be imposed on the Group.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay the Group a guaranteed interest rate of 3% per annum, which is also the effective interest rate for the deposit placed on initial recognition, determined by discounting the estimated future cash receipts through the expected life of the insurance policy of 29 years, excluding the financial effect of surrender charge.

The carrying amount of deposit placed for a life insurance policy as at 30 June 2013 and 30 June 2012 approximated the Cash Value of the life insurance policy and the expected life of the life insurance policy remained unchanged since the initial recognition. The directors considered that the financial impact of the option to terminate the policy was insignificant.

## 18. INVENTORIES

| | **2013** **US$'000** | 2012 US$'000 |
|---|---|---|
| Raw materials | **27,405** | 21,244 |
| Work in progress | **1,444** | 1,825 |
| Finished goods | **30,649** | 33,821 |
| | **59,498** | 56,890 |

## 19. TRADE, BILLS AND OTHER RECEIVABLES

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Trade and bills receivables | **51,486** | 45,369 |
| Less: Allowance for doubtful debts | **(3,033)** | (2,769) |
| | **48,453** | 42,600 |
| Deposits, prepayments and other receivables | **1,879** | 3,377 |
| | **50,332** | 45,977 |

The Group allows a credit period of 1 to 180 days (2012: 1 to 180 days) to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| 1 to 30 days | **19,138** | 20,757 |
| 31 to 60 days | **10,581** | 5,455 |
| 61 to 90 days | **5,097** | 2,891 |
| Over 90 days | **13,637** | 13,497 |
| | **48,453** | 42,600 |

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits for each customer. Limits attributed to customers are reviewed once a year. 63% (2012: 65%) of the trade receivables are neither past due nor impaired that are in good credit quality as long credit periods are granted to the respective customers, who have long business relationship with the Group and strong financial position.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$16,246,000 (2012: US$13,226,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss. Although no collateral over these balances is held, the Group has assessed the creditworthiness, past payment history and substantial settlement after the end of the reporting period, and considered that the default risk is low, and accordingly no impairment has been provided.

## 19. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

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

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| 1 to 30 days | **7,433** | 4,196 |
| 31 to 60 days | **2,585** | 1,749 |
| 61 to 90 days | **2,041** | 949 |
| Over 90 days | **4,187** | 6,332 |
| Total | **16,246** | 13,226 |

Movements in the allowance for doubtful debts:

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| At 1 July | **(2,769)** | (3,814) |
| Exchange realignment | **19** | (17) |
| Impairment losses (recognised) reversed, net | **(686)** | 844 |
| Amounts written off as uncollectible | **403** | 218 |
| At 30 June | **(3,033)** | (2,769) |

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

## 20. PLEDGED BANK DEPOSITS

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

The pledged bank deposits, which carry variable interest rates ranging from 0.03% to 0.50% (2012: 0.03% to 0.25%) per annum, will be released upon settlement of relevant bank borrowings.

## 21. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.001% to 0.25% (2012: 0.001% to 0.25%) per annum with an original maturity of three months or less.

## 22. TRADE, BILLS 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:

| | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| 1 to 30 days | **9,876** | 8,268 |
| 31 to 60 days | **5,615** | 6,065 |
| 61 to 90 days | **2,602** | 2,295 |
| Over 90 days | **1,774** | 2,846 |
| Trade and bills payables | **19,867** | 19,474 |
| Deposits in advance, accruals and other payables | **4,749** | 6,154 |
| | **24,616** | 25,628 |

The average credit period on purchase of goods is 30 to 60 days (2012: 30 to 60 days).

## 23. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five (2012: three) years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 6% (2012: 6%) per annum. No arrangement have been entered into for contingent rental payments.

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2013 US$'000** | 2012 US$'000 | **2013 US$'000** | 2012 US$'000 |
| Amounts payable under finance leases | | | | |
| Within one year | **16** | 4 | **14** | 3 |
| In more than one year but not more than two years | **16** | 1 | **14** | 1 |
| In more than two years but not more than five years | **58** | – | **51** | – |
| | **90** | 5 | **79** | 4 |
| Less: Future finance charges | **(11)** | (1) | | |
| Present value of lease obligations | **79** | 4 | | |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(14)** | (3) |
| Amount due for settlement after 12 months | | | **65** | 1 |

## 24. BANK BORROWINGS

| | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| Bank borrowings comprise the following: | | |
| Trust receipts, export and import loans | | |
| – secured | **7,700** | 8,231 |
| – unsecured | **6,413** | 5,989 |
| | **14,113** | 14,220 |
| Other bank loans | | |
| – secured | **16,290** | 14,086 |
| – unsecured | **769** | 1,385 |
| | **17,059** | 15,471 |
| | **31,172** | 29,691 |

| | **2013 US$'000** | 2012 US$'000 |
|---|---|---|
| Carrying amounts of bank loans that do not contain repayable on demand clause and are repayable based on the scheduled repayment dates set out in the loan agreements: | | |
| Within one year | **47** | 44 |
| More than one year, but not exceeding two years | **46** | 44 |
| More than two years, but not more than five years | **2,200** | 148 |
| More than five years | **–** | 2,097 |
| | **2,293** | 2,333 |
| Carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment set out in the loan agreements are: | | |
| Within one year | **28,725** | 26,588 |
| More than one year, but not exceeding two years | **154** | 616 |
| More than two years, but not more than five years | **–** | 154 |
| | **28,879** | 27,358 |
| | **31,172** | 29,691 |
| Less: amounts due within one year shown under current liabilities | **(28,926)** | (27,402) |
| Amounts shown under non-current liabilities | **2,246** | 2,289 |

## 24. BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings are 2.02% to 6.38% (2012: 2.18% to 6.38%).

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

| **Denominated in** | **Interest rate per annum** | **2013 US$'000** | 2012 US$'000 |
|---|---|---|---|
| Hong Kong dollars (note) | Hong Kong Interbank Offered Rate ("HIBOR") plus 1.73% to 2.5% (2012: 1% to 2.5%) | **2,272** | 4,087 |
| United States dollars | London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.5% (2012: 1.5% to 2%) | **20,571** | 18,455 |
| | Singapore Interbank Offered Rate ("SIBOR") plus 1.5% (2012: 1.5%) | **1,922** | 1,845 |
| | 7-year Federal Home Loan Bank Rate of San Francisco ("FHLB") plus 3.25% (2012: 3.25%) | **2,293** | 2,333 |
| Canadian dollars | Canadian Prime Rate plus 2% (2012: 1%) | **4,114** | 2,971 |
| | | **31,172** | 29,691 |

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

## 25. SHARE CAPITAL

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

| | Number of shares | Value HK$'000 | United States dollars equivalent US$'000 |
|---|---|---|---|
| Ordinary shares of HK$0.1 each: | | | |
| **Authorised** | | | |
| At 1 July 2011, 30 June 2012 and 30 June 2013 | 2,000,000,000 | 200,000 | 25,747 |
| **Issued and fully paid** | | | |
| At 1 July, 2011, 30 June 2012 and 30 June 2013 | 920,984,783 | 92,099 | 11,844 |

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation US$'000 | Tax losses US$'000 | Others US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 1 July 2011 | 4 | (3) | 129 | 130 |
| (Credit) charge to profit or loss for the year | (4) | 3 | 1 | – |
| At 30 June 2012 | – | – | 130 | 130 |
| Credit to profit or loss for the year | – | – | (130) | (130) |
| At 30 June 2013 | – | – | – | – |

## 26. DEFERRED TAXATION *(Continued)*

At 30 June 2013, the Group has estimated tax losses of approximately US$5,640,000 (2012: US$6,777,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$1,752,000 (2012: US$1,491,000) that will expire in 2033 (2012: 2032). Other losses may be carried forward indefinitely.

During the year ended 30 June 2013, a subsidiary registered in PRC completed the wind-up process and its unused tax losses of approximately US$1,360,000 upon wind-up has not been recognised as deferred tax assets.

During the year end 30 June 2012, a subsidiary registered in Netherlands completed the wind-up process and its unused tax losses of approximately US$5,777,000 upon wind-up has not been recognised as deferred tax assets.

At 30 June 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries was approximately US$4,448,000 (2012: US$5,651,000). No deferred tax liability has been recognised in respect of such temporary difference of approximately US$4,448,000 (2012: a deferred tax liability in respect of such temporary difference of approximately US$1,300,000 was recognised) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 30 June 2013, the Group has deductible temporary differences of US$731,000 (2012: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 27. SHARE OPTIONS

The Company's share option scheme adopted by the shareholders pursuant to a resolution passed on 16 April 2003 (the "Scheme") is for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, expired on 15 April 2013 ("Expiry Date"). The Scheme shall be valid and effective until the Expiry Date, after which period no further share options will be granted but the provisions of this Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

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

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

## 27. SHARE OPTIONS *(Continued)*

Details of the share options granted under the Scheme during the two years ended 30 June 2013 to subscribe for the shares in the Company are as follows:

### 2013

| Granted to | Date of grant | Vesting period | Exercisable period (both dates inclusive) | Exercise price HK$ | Number of share options at 1 July 2012 | Granted | Exercised | Expired | Forfeited | Number of share options at 30 June 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 4,961,000 | – | – | (4,961,000) | – | – |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 11,440,000 | – | – | – | – | 11,440,000 |
| Senior management | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 3,968,800 | – | – | (3,968,800) | – | – |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 3,000,000 | – | – | – | – | 3,000,000 |
| Employees | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 5,953,200 | – | – | (5,953,200) | – | – |
| | 6.10.2009 | N/A | 6.10.2009-5.10.2013 | 0.150 | 4,000,000 | – | – | – | – | 4,000,000 |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 1,200,000 | – | – | – | – | 1,200,000 |
| | 25.3.2011 | 25.3.2011-24.3.2013 | 25.3.2013-24.3.2021 | 0.207 | 1,000,000 | – | – | – | – | 1,000,000 |
| | | | | | 35,523,000 | – | – | (14,883,000) | – | 20,640,000 |
| Exercisable at the end of the year | | | | | | | | | | 20,640,000 |
| Weighted average exercise price | | | | | 0.338 | – | – | 0.464 | – | 0.247 |

## 27. SHARE OPTIONS *(Continued)*

2012

| Granted to | Date of grant | Vesting period | Exercisable period (both dates inclusive) | Exercise price HK$ | Number of share options at 1 July 2011 | Granted | Exercised | Expired | Forfeited | Number of share options at 30 June 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | 30.3.2007 | 30.3.2007-31.12.2008 | 1.1.2009-31.12.2011 | 0.250 | 2,678,940 | – | – | (2,678,940) | – | – |
| | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 4,961,000 | – | – | – | – | 4,961,000 |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 11,440,000 | – | – | – | – | 11,440,000 |
| Senior management | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 3,968,800 | – | – | – | – | 3,968,800 |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 3,000,000 | – | – | – | – | 3,000,000 |
| Employees | 30.3.2007 | 30.3.2007-31.12.2008 | 1.1.2009-31.12.2011 | 0.250 | 7,937,600 | – | – | (6,945,400) | (992,200) | – |
| | 5.10.2007 | 5.10.2007-4.10.2009 | 5.10.2009-4.10.2012 | 0.464 | 6,895,790 | – | – | – | (942,590) | 5,953,200 |
| | 6.10.2009 | N/A | 6.10.2009-5.10.2013 | 0.150 | 4,000,000 | – | – | – | – | 4,000,000 |
| | 30.3.2010 | 30.3.2010-29.3.2011 | 30.3.2011-29.3.2014 | 0.275 | 1,200,000 | – | – | – | – | 1,200,000 |
| | 25.3.2011 | 25.3.2011-24.3.2013 | 25.3.2013-24.3.2021 | 0.207 | 1,000,000 | – | – | – | – | 1,000,000 |
| | | | | | 47,082,130 | – | – | (9,624,340) | (1,934,790) | 35,523,000 |
| Exercisable at the end of the year | | | | | | | | | | 34,523,000 |
| Weighted average exercise price | | | | | 0.321 | – | – | 0.250 | 0.354 | 0.338 |

The Group has recognised the total expense of US$5,000 (2012: US$7,000) in the profit or loss for the year ended 30 June 2013.

During the years ended 30 June 2013 and 30 June 2012, none of the above options have been exercised.

## 28. PLEDGE OF ASSETS

Assets of certain subsidiaries with the following carrying amounts have been pledged to secure the Group's borrowings of US$15,008,000 (2012: US$12,818,000).

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| **Fixed charge:** | | |
| Freehold land and building | **3,277** | 3,337 |
| **Floating charges:** | | |
| Property, plant and equipment | **855** | 1,031 |
| Inventories | **15,764** | 15,781 |
| Trade and other receivables | **17,481** | 19,760 |
| Bank balances | **1,261** | 1,619 |
| | **38,638** | 41,528 |

In addition, deposit placed for a life insurance policy of US$400,000 (2012: US$384,000) and pledged bank deposits of US$2,691,000 (2012: US$2,046,000) as disclosed in the consolidated statement of financial position have been pledged to secure the Group's borrowings of US$8,982,000 (2012: US$9,499,000).

## 29. OPERATING LEASE COMMITMENTS

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

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Within one year | **980** | 1,365 |
| In the second to fifth year inclusive | **2,357** | 2,958 |
| More than five years | **599** | 1,181 |
| | **3,936** | 5,504 |

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

Leases are negotiated for terms ranging from one to ten years at initial and rentals are fixed for the period of the lease.

## 30. RETIREMENT BENEFITS SCHEMES

During the year, the Group operated defined contribution retirement benefit schemes in various regions outside Hong Kong for all qualifying employees and the Group also operated a defined contribution scheme for its qualifying employees in Hong Kong prior to 1 December 2000 (collectively "Defined Contribution Schemes"). The assets of the Defined Contribution Schemes are held separately from those of the Group in funds under the control of independent trustees.

Where there are employees who leave the Defined Contribution Schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The Defined Contribution Schemes are funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

With effect from 1 December 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees.

Under the rules of the MPF Scheme, the Group contributes 5% of relevant payroll costs or HK$1,250 per month to the scheme with effective from 1 June 2012 (HK$1,000 per month before 1 June 2012) which contribution is matched by the employee, depending on the length of service with the Group. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

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

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

| | **2013**<br>**US$'000** | 2012<br>US$'000 |
|---|---|---|
| Gross retirement benefits schemes contributions | **27** | 99 |
| Less: Forfeited contributions for the year | **(9)** | – |
| Net retirement benefits schemes contributions | **18** | 99 |

At the end of the reporting period, the Group had no significant forfeited contributions available to reduce the contributions payable by the Group in the future years.

## 31. RELATED PARTY DISCLOSURES

(a) During the year ended 30 June 2012, Mr. Chiu Samson Hang Chin, the executive director and substantial shareholder of the Company, had assigned his life insurance policy with a face value of US$2,000,000 to a bank as a collateral for general banking facilities granted to the Group amounting to US$9,000,000 during the period from 1 July 2011 to 27 April 2012 (date of release of this collateral).

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

| | **2013** | 2012 |
|---|---|---|
| | **US$'000** | US$'000 |
| Short-term employee benefits | **799** | 834 |
| Post-employment benefits | **2** | 16 |
| | **801** | 850 |

## 32. MAJOR NON-CASH TRANSACTION

During the current year, the Group entered into a finance lease arrangement in respect of its fixtures and equipment with a total capital value at the inception of the leases of US$89,000 (2012: nil).

## 33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank borrowings as disclosed in note 24, net of cash and cash equivalents, and equity attributable to the owner of the Company, comprising issued share capital 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.

## 34. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| *Financial assets* | | |
| Loans and receivables (including cash and cash equivalents) | **61,282** | 60,483 |
| Available-for-sale investments | **134** | 70 |
| | **61,416** | 60,553 |
| *Financial liabilities* | | |
| At amortised costs | **52,374** | 51,836 |

### b. Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, deposit placed for a life insurance policy, trade, bills and other receivables, pledged bank deposits, bank balances and cash, trade, bills and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes.

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

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

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk***

*(i) Currency risk*

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

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

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Group** | | | | |
| Hong Kong dollars ("HKD") | **3,725** | 3,821 | **6,241** | 7,535 |
| United States dollars ("USD") | **1,794** | 3,344 | **2,331** | 3,729 |
| **Inter-company balances** | | | | |
| RMB | **2,354** | 5,215 | **–** | 3,763 |

*Sensitivity analysis*

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

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in USD relative to CAD and in RMB relative to USD.

5% (2012: 5%) is the sensitivity rate used for the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and also inter-company balances denominated in foreign currencies and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk*** *(Continued)*

*(i) Currency risk (Continued)*

*Sensitivity analysis (Continued)*

The following table details the Group's sensitivity to a 5% (2012: 5%) when USD strengthens 5% (2012: 5%) against CAD or RMB strengthen 5% (2012: 5%) against USD. There would be an equal and opposite impact when USD weakens 5% (2012: 5%) against CAD or RMB weaken 5% (2012: 5%) against USD.

| | **(Decrease) increase in post tax profit 2013 US$'000** | (Increase) decrease in post tax loss 2012 US$'000 |
|---|---|---|
| **Group** | | |
| USD against CAD | **(19)** | (14) |
| **Inter-company balances** | | |
| RMB against USD | **118** | 73 |

*(ii) Interest rate risk*

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

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

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

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Market risk*** *(Continued)*

*(ii) Interest rate risk (Continued)*

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2012: 50) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2012: 50) basis points higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 30 June 2013 would decrease/increase by US$128,000 (2012: the Group's post tax loss for the year ended 30 June 2012 would increase/decrease by US$122,000).

*(iii) Other price risk*

The Group's investments in equity instruments are measured at fair values at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these investments. The management manages this exposure by reviewing the fair value of investments regularly.

*Other price sensitivity*

The sensitivity analysis below has been determined based on the exposure of equity instruments to price risks at the reporting date. If the market price of the equity instruments had been 15% (2012: 15%) higher while all other variables were held constant, the investments revaluation reserve for the year ended 30 June 2013 would increase by US$20,100 (2012: US$10,500). However, if the market price of the equity instruments had been 15% (2012: 15%) lower while all other variables were held constant, the profit for the year would decrease by US$109,100 (2012: the loss for the year would increase by US$163,500) when the drop is considered as an impairment.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Credit risk***

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

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers of certain foreign countries. The top five customers of the Group accounted for about 37% (2012: 36%) of the Group's trade receivables as at 30 June 2013. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

***Liquidity risk***

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

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

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

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Liquidity risk** (Continued)*

| | Weighted average effective interest rate | On demand or less than 3 months | 4 to 6 months | 7 to 9 months | 10 to 12 months | Over 1 year | Total undiscounted cash flows | Carrying amount at 30 June |
|---|---|---|---|---|---|---|---|---|
| | % | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **2013** | | | | | | | | |
| Trade, bills and other payables | **-** | **21,170** | **32** | **-** | **-** | **-** | **21,202** | **21,202** |
| Obligations under finance leases | **5.53** | **4** | **4** | **4** | **4** | **74** | **90** | **79** |
| Bank borrowings at variable interest rate | **3.76** | **28,930** | **48** | **48** | **44** | **2,784** | **31,854** | **31,172** |
| | | **50,104** | **84** | **52** | **48** | **2,858** | **53,146** | **52,453** |
| 2012 | | | | | | | | |
| Trade, bills and other payables | – | 21,385 | 760 | – | – | – | 22,145 | 22,145 |
| Obligations under finance leases | 5.95 | 1 | 1 | 1 | 1 | 1 | 5 | 4 |
| Bank borrowings at variable interest rate | 3.71 | 27,541 | 48 | 48 | 48 | 2,971 | 30,656 | 29,691 |
| | | 48,927 | 809 | 49 | 49 | 2,972 | 52,806 | 51,840 |

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2013 and 30 June 2012, the carrying amounts of these bank loans amounted to US$28,879,000 and US$27,358,000 respectively.

As at 30 June 2012, included in the Group's bank borrowings classified as current liabilities were bank borrowings of US$7,500,000 that were in breach of loan covenants and the bank had the right to demand for immediate payment. This loan balance was included in bank loans that contain a repayable on demand clause repayable within one year, as set out in note 24 and in bank borrowings that were repayable on demand or less than 3 months in the above maturity analysis.

## 34. FINANCIAL INSTRUMENTS *(Continued)*

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

***Liquidity risk*** *(Continued)*

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

**Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments**

| | Less than 3 months US$'000 | 4 to 6 months US$'000 | 7 to 12 months US$'000 | Over 1 year US$'000 | Total undiscounted cash outflows US$'000 | Carrying amount US$'000 |
|---|---|---|---|---|---|---|
| **30 June 2013** | **28,427** | **157** | **311** | **155** | **29,050** | **28,879** |
| 30 June 2012 | 26,258 | 161 | 319 | 782 | 27,520 | 27,358 |

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

### c. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of the available-for-sale investments traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

## 34. FINANCIAL INSTRUMENTS *(Continued)*

### d. Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | **Level 1** | |
|---|---|---|
| | **2013** | 2012 |
| | **US$'000** | US$'000 |
| Available-for-sale investments | **134** | 70 |

## 35. DIVIDEND

No dividend in respect of the year ended 30 June 2012 has been paid during the year. The directors of the Company do not recommend a dividend in respect of the year ended 30 June 2013.

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2013 and 2012 were as follows:

| Name of subsidiary | Place of incorporation or registration/operations | Issued and fully paid share capital | Proportion of nominal value of issued capital/registered capital held by the Company 2013 % | 2012 % | Principal activities |
|---|---|---|---|---|---|
| Advance Always Limited | British Virgin Islands | US$1 | **100** | 100 | Investment holding |
| Eastcom, Inc. | United States of America | US$1,000 | **100** | 100 | Wholesaling and distribution of computer components |
| Elite View Development Ltd. | Hong Kong | HK$1 | **100** | 100 | Provision of services to group companies |
| Green Privado Asset Holdings LLC | United States of America | US$1 | **100** | 100 | Property investment |
| i. Concept Inc. | Samoa | US$1 | **100** | 100 | Investment holding |
| 東莞嘉耀電子有限公司 (note a) | PRC | RMB26,265,224 contributed capital | **100** | 100 | Manufacturing of electronics and computer digital audio device |
| Pan Eagle Limited | British Virgin Islands | US$100 | **100** | 100 | Investment holding |
| Pine Group Hong Kong Limited | Hong Kong | HK$2 | **100** | 100 | Investment holding |
| Pine Group (North America) Limited | United Kingdom | GBP35,100 | **100** | 100 | Investment holding |
| Pine Group Limited | British Virgin Islands | US$10,000 Common shares US$2,995,729 Class A shares | **100** | 100 | Investment holding |
| Pine Lab TW Co. Ltd. | Republic of China | NTW1,000,000 | **100** | 100 | Provision of research and development services |
| Pine Technology (Macao Commercial Offshore) Ltd | Macao | MOP100,000 | **100** | 100 | Wholesaling and distribution of computer components |
| Pine Technology Limited | Hong Kong | HK$3 | **100** | 100 | Wholesaling and distribution of computer components |
| Pine Technology (BVI) Limited (note c) | British Virgin Islands | US$10,000 | **100** | 100 | Investment holding |

## 36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 30 June 2013 and 2012 were as follows: *(Continued)*

| Name of subsidiary | Place of incorporation or registration/operations | Issued and fully paid share capital | Proportion of nominal value of issued capital/registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2013** | 2012 | |
| | | | **%** | % | |
| Pineview Industries Limited (note d) | Hong Kong | HK$1,000 Ordinary shares and HK$2,400,000 Non-voting 5% deferred shares | **100** | 100 | Provision of production and other facilities to group companies |
| Quality Eagle Technology Dongguan Ltd (品嘉電子(東莞)有限公司) (note b) | PRC | RMB44,200,217 contributed capital | **-** | 100 | Manufacturing of electronics and computer digital audio device |
| Samtack Inc. | Canada | CAD5 Common shares CAD2,041,250 Class A shares | **100** | 100 | Wholesaling and distribution of computer components and consumer electronic products and others |
| XFX Creation Inc. | British Virgin Islands | US$1 | **100** | 100 | Trademarks holding |

Notes:

(a) Subsidiaries in the PRC are wholly foreign owned enterprises.

(b) Quality Eagle Technology Dongguan Ltd (品嘉電子(東莞)有限公司) completed the liquidation process during the year ended 30 June 2013.

(c) The Company directly holds the entire interest in Pine Technology (BVI) Limited. The interests of all other companies are indirectly held by the Company.

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

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

None of the subsidiaries had any debt securities outstanding at 30 June 2013 or at any time during the year.

# Summarised Statement of Financial Position of the Company

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| ASSETS AND LIABILITIES | | |
| Investment of subsidiaries | **9,087** | 9,087 |
| Amounts due from subsidiaries | **39,526** | 39,518 |
| Other assets | **118** | 236 |
| Amounts due to subsidiaries | **–** | (110) |
| | **48,731** | 48,731 |
| CAPITAL AND RESERVES | | |
| Share capital | **11,844** | 11,844 |
| Share premium | **27,063** | 27,063 |
| Reserves | **9,824** | 9,824 |
| | **48,731** | 48,731 |

# Financial Summary

| | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | US$'000 | US$'000 | US$'000 | US$'000 | **US$'000** |
| RESULTS | | | | | |
| Turnover | 313,487 | 351,420 | 259,559 | 231,953 | **214,168** |
| Cost of sales | (282,496) | (311,411) | (237,451) | (209,897) | **(192,053)** |
| Gross profit | 30,991 | 40,009 | 22,108 | 22,056 | **22,115** |
| Other income | 153 | 287 | 314 | 361 | **872** |
| Selling and distribution expenses | (6,305) | (9,355) | (7,789) | (7,825) | **(6,950)** |
| General and administrative expenses | (21,808) | (22,042) | (20,519) | (17,733) | **(13,835)** |
| Other gains and losses | 296 | (2,639) | 1,495 | 783 | **910** |
| Finance costs | (1,520) | (727) | (1,020) | (880) | **(958)** |
| Profit (loss) before tax | 1,807 | 5,533 | (5,411) | (3,238) | **2,154** |
| Income tax (expense) credit | (695) | (1,484) | 232 | (200) | **(96)** |
| Profit (loss) for the year | 1,112 | 4,049 | (5,179) | (3,438) | **2,058** |

| | As at 30 June | | | | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | **2013** |
| | US$'000 | US$'000 | US$'000 | US$'000 | **US$'000** |
| ASSETS, LIABILITIES AND EQUITY | | | | | |
| Total assets | 135,769 | 153,364 | 120,934 | 128,276 | **129,021** |
| Total liabilities | (59,742) | (72,581) | (46,370) | (56,782) | **(57,346)** |
| | 76,027 | 80,783 | 74,564 | 71,494 | **71,675** |
| Equity attributable to owners of the Company | 76,027 | 80,783 | 74,564 | 71,494 | **71,675** |

PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)
Stock Code 股份代號 1079
Annual Report 年報 2013
www.pinegroup.com

PINE

FORWARD