PINE

PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code 1079

ANNUAL REPORT 2019

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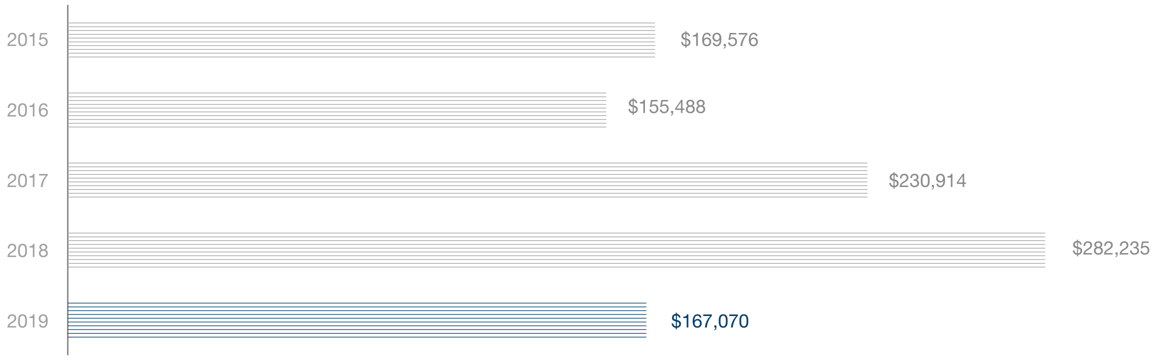

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY
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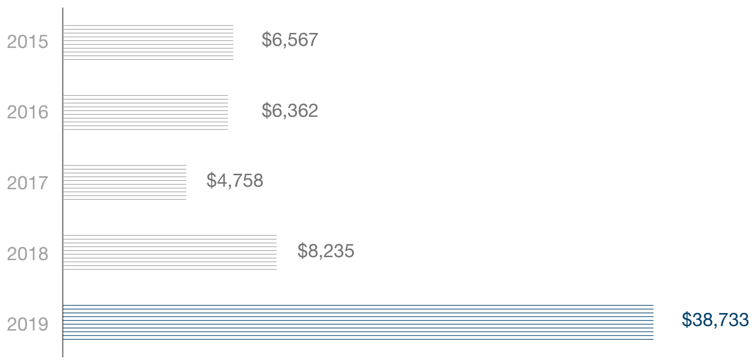

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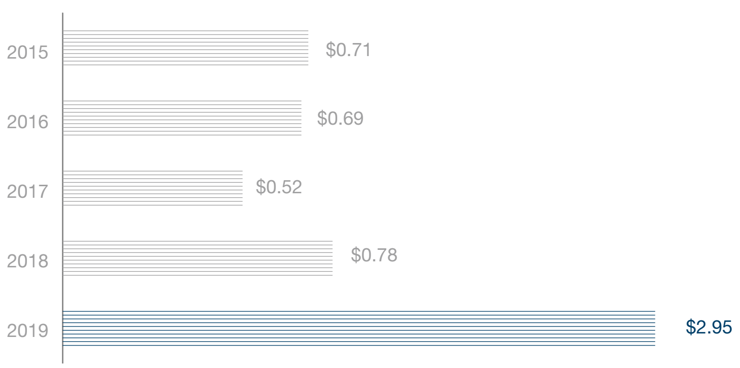

CORPORATE INFORMATION

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

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

Company Secretary
Mr. Chan Cheuk Ho

Authorised Representatives
Mr. Zhang Sanhuo
Mr. Chan Cheuk Ho

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

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

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

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
Unit 1201, 12/F.
148 Electric Road, North Point
Hong Kong

Principal Bankers
Manufacturers Bank
Toronto-Dominion Bank
Bank of Communications (Hong Kong) Limited

Principal Share Registrar and Transfer Agent
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
(resigned on 21 June 2019)

Zhonghui Anda CPA Limited
Certified Public Accountants
(appointed on 21 June 2019)

Legal Adviser
As to Hong Kong Law:
Michael Li & Co Solicitors

Stock Code
1079

Website of the Company
www.pinegroup.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of PINE Technology Holdings Limited (the "**Company**"), I hereby present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2019 (the "**Year**"). For the Year, the Group's revenue was US$167.1 million, representing an approximate 41% decrease compared to that of last year. Gross loss of the Group for the Year was approximately US$16.4 million, representing an approximate 280% decrease as compared to that of last year. The Group incurred a loss of approximately US$43.5 million, compared with a loss of approximately US$9.3 million last year.

Business review

PC related business

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

Money lending service

The Company had extended the scope of the Group's existing business by applying up to approximately HK$70 million for the development of money lending business in Hong Kong in 2018. The performance of this segment during the Year was stable. The Directors considered that the money lending service successfully diversified the Group's business scope and broadened its revenue basis.

IT related business

In July 2018, the Company had successfully acquired China UIP Information Technology Co. Ltd. ("**China UIP**"). China UIP is a company established in the People's Republic of China (the "**PRC**") which is principally engaged in computer software and hardware and system development for e-government and e-commerce solutions in the PRC. China UIP established its headquarter in Guangzhou in 2003 and expanded its branch to Changsha in 2014. Currently, the total number of staff of China UIP has exceeded 80 persons.

With more than 15 years of experience in the IT industry, China UIP has developed a good reputation in the IT industry and a wide range of technology services, including but not limited to, (i) the self-developed platform for government at all levels, (ii) the comprehensive platform of the market supervision department, (iii) the law enforcement system, the big data management platform and the food safety and the traceability management platform, and (iv) over 30 software products and solutions with copyrights registered in the government sector.

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

Business outlook

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

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

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

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

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

Zhang Sanhuo
Chairman

Hong Kong, 30 September 2019

Key performance indicators

	Audited results for the year ended 30 June 2019	2018	Changes
Performance Indicators			
Revenue (US$'000)	**167,070**	282,235	(115,165)
Gross (loss) profit (US$'000)	**(16,444)**	9,111	(25,555)
Loss for the year (US$'000)	**(43,499)**	(9,289)	(34,210)
Loss per share – basic (US cents)	**(2.95)**	(0.78)	(2.17)
Net Cash from (used in) operating activities (US$'000)	**6,030**	(9,094)	15,124

	As at 30 June 2019	As at 30 June 2018	Changes
Financial Health Indicators			
Net current assets (US$'000)	**31,185**	61,390	(30,205)
Current ratio (times)	**1.8**	1.9	(0.1)
Equity attributable to owners of the Company (US$'000)	**46,000**	61,575	(15,575)

Group's financial position

The Group's net current assets and equity attributable to owners of the Company as at 30 June 2019 were US$31,185,000 and US$46,000,000 respectively (2018: US$61,390,000 and US$61,575,000). The Group's current ratio at the end of the reporting year was 1.8 (2018: 1.9). The Group financed its operations by internally generated cash flows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

Liquidity, financial resources and charge of group asset

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

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

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

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

Currency risk
During the Year, the Group's major foreign exchange payments arose from the import of components and materials, and repayments of foreign currency loans, that were principally denominated in US dollars, Hong Kong dollars, Canadian dollars and Renminbi. For settlement of import payments and foreign currency loans, the Group maintained its foreign exchange balance by its export revenue, that were principally denominated in US dollars and Canadian dollars. The unsecured risk would be foreign currency payables and loan exceeds its foreign currency revenue. During the Year, the Group had used foreign currency forward contracts to minimise its exposure to currency fluctuations risk of certain trade payables denominated in foreign currencies.

Segment information
Group's brand products

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

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

Other brand products

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

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

Money lending service

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

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

Trading business

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

We will continue to operate the trading business prudently.

Computer software and hardware and system development

For the Year, turnover from this segment was approximately US$4,330,000 and the loss from this segment was approximately US$5,329,000.

The segment loss mainly represented the net effect of profit arising from computer software and hardware and system development segment of approximately US$1,503,000 and other loss arising from business combination including impairment loss on goodwill of approximately US$3,845,000, change in fair value of contingent consideration of approximately US$1,606,000 and amortisation of intangible assets of approximately US$1,381,000.

Significant investments and material acquisitions and/or disposals

On 9 July 2018, Talent Crest Limited ("**Talent Crest**") (being an indirect wholly owned subsidiary of the Company) as purchaser, Harmonious Miles Limited ("**Harmonious Miles**") as vendor and Mr. Wu Chung Man Ronnie as guarantor entered into the agreement (the "**Sale and Purchase Agreement**") pursuant to which Harmonious Miles conditionally agreed to sell and Talent Crest conditionally agreed to acquire the entire issued share capital of Eternal Abundant Limited for a consideration of HK$220,800,000, which was satisfied by Talent Crest by procuring the Company to allot and issue an aggregate of 220,800,000 new shares of the Company. Completion took place on 23 July 2018. Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the acquisition. Saved as disclosed above, there were no significant investment held by the Group, nor were there any material acquisitions and/or disposals of subsidiaries, associates and joint ventures during the Year.

Employees and Remuneration Policies

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

The employees including directors are remunerated based on their work performance, professional experiences and the prevailing industry practice.

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

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

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

The amount of retirement benefits schemes contributions for the Group's employees, net of forfeited contributions, which have been dealt with in the profit or loss of the Group for the year ended 30 June 2019 was approximately US$109,000 (2018: US$31,000).

Contingent liabilities

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

Sufficiency of public float

Based on the information that is publicly available to the Company and within the Directors' knowledge, the Company has maintained a sufficient public float throughout the year ended 30 June 2019 and up to the latest practicable date prior to the issue of this annual report.

Use of Proceeds

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

Date of announcement	Event	Net Proceeds and intended use of proceeds	Actual use of proceeds
30 August 2017	Subscription of a total of 43,000,000 ordinary shares at a subscription price of HK$0.60 per subscription share.	The net proceeds HK$25.5 million from the Subscriptions were intended to be used for general working capital of the Group.	As at 30 June 2018, as to approximately HK$25.5 million of the net proceeds has been utilized for general working capital purposes, mainly towards administrative and operating expenses, and other payments.
21 September 2017	The Company entered into a placing agreement dated 21 September 2017 in relation to the placing of up to 141,316,956 new shares of HK$0.10 each at a placing price of HK$0.64 per placing share.	The net proceeds were intended to be used as to approximately HK$10 million for general working capital of the Group and as to approximately HK$79.49 million for new business opportunities that may be identified by the Company from time to time. As further disclosed in the announcement of the Company dated 12 February 2018, the Company intended to apply as to approximately HK$70 million of such placing proceeds for the development of money lending business of the Group.	As at 30 June 2018, approximately HK$10 million of the net proceeds has been utilised for general working capital purposes, mainly towards administrative and operating expenses, and other payments. Approximately HK$70 million of such placing proceeds has been utilised in the money lending business of the Group. As at 30 June 2019, approximately HK$5.77 million of the net proceeds has been utilised for the provision of shareholder's loan to China UIP Information Technology Co. Ltd. for the development of the computer software and hardware and system development business. Approximately HK$0.28 million of the net proceeds has been utilised for professional fees for the acquisition of Eternal Abundant Limited. Approximately HK$3.44 million of the net proceeds has been utilised for capital injection in Pine Dahui (Shanghai) International Trading Co. Ltd.

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Sanhuo ("Mr. Zhang"), aged 53, joined the Company on 8 June 2017 and is now an executive Director, the chairman and chief executive officer of the Company, chairman of nomination committee (the "**Nomination Committee**") and member of the remuneration committee (the "**Remuneration Committee**") of the Board. He is responsible for overall strategic planning and formulation of corporate strategy of the Company. Mr. Zhang graduated from 山西財經大學 (Shanxi University of Finance & Economics*) with a bachelor's degree in accounting and obtained a master's degree in business administration from 長江商學院 (Cheung Kong Graduate School of Business). He has over 20 years of experience in corporate management in mining, investment, finance and other industries. Save for abovementioned, Mr. Zhang is also an executive director of Green Leader Holdings Group Limited, the shares of which are listed on the Main Board (stock code: 61) of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Chiu Hang Tai ("Mr. Chiu"), aged 59, is a co-founder of the Group and is now an executive Director. He holds a bachelor of science in economics from the Salem State College in the United States and a master's degree in business administration from Northeastern University in the United States. He has over 30 years of experience in the computer industry and also served as a director of two health food companies. Mr. Chiu was awarded the 1999 Young Industrialist Award of Hong Kong.

Mr. Chan Cheuk Ho ("Mr. Chan"), aged 52, joined the Company on 8 June 2017 as an executive Director. Mr. Chan obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1989 and a master's degree in business administration from the University of Manchester in 2003. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants since 2003. In the past 20 years, Mr. Chan was the finance director, financial controller and company secretary of several companies listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director, the chairman of the audit committee and remuneration committee and a member of the nomination committee of the board of Eagle Nice (International) Holdings Limited, the shares of which are listed on the Main Board (stock code: 2368) of the Stock Exchange.

Independent Non-Executive Directors

Mr. So Stephen Hon Cheung ("Mr. So"), aged 63, was appointed as an independent non-executive Director on 13 September 2002. He is the chairman of the audit committee (the "**Audit Committee**") of the Board and the Remuneration Committee and a member of the Nomination Committee. Mr. So is a director of the accounting firm T.M Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor's degree in commerce from the University of British Columbia, Canada and was a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong of the PRC. He has extensive experience in the commercial sector of manufacturing, wholesale and trading and in public practice working for various companies in Hong Kong, the PRC and Canada.

Mr. So is an independent non-executive director of Pinestone Capital Limited (stock code: 804), the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since 20 September 2017, the shares of those companies are listed on the Main Board of the Stock Exchange. From March 2000 to December 2014, Mr. So was an independent non-executive director of Skyworth Digital Holdings Limited (stock code: 751) and from April 2011 to February 2017, Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code:1150), the shares of both companies are listed on the Main Board of the Stock Exchange. From August 2017 to June 2019, Mr. So was also an independent non-executive director of Teamway International Group Holdings Limited (stock code: 1239), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Zhou Chunsheng ("Mr. Zhou"), aged 53, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit, Nomination and Remuneration Committees. Mr. Zhou is currently a professor-in-residence of 長江商學院 (Cheung Kong Graduate School of Business). He was an assistant dean, director of the executive education program and a professor of finance of 光華管理學院 (Guanghua School of Management) of 北京大學 (Peking University). He is a distinguished economist, a winner of the National Excellent Young Researcher Grant, an honorary professor at the University of Hong Kong, a visiting professor at the City University of Hong Kong and a member of the 1st and 2nd Listing Committee of the Shenzhen Stock Exchange. Mr. Zhou obtained a master's degree in mathematics from Peking University and a doctoral degree in economics (finance) from Princeton University in the United States. From 1994 to 1995, he was awarded an honorary doctoral scholarship excellence from Princeton University. During 1997 to 2001, Mr. Zhou worked for the University of California and the school of business of the University of Hong Kong. From April to December 2001, at the invitation of China Securities Regulatory Commission ("**CSRC**"), Mr. Zhou acted as a member (deputy level) of the planning and development committee of CSRC. He also became the head of the finance department of 光華管理學院 (Guanghua School of Management). Mr. Zhou is an expert in analyzing financial investment, securities markets, capital operation and financial derivatives.

Mr. Zhou is currently an independent non-executive director of each of Transfar Zhilian Co., Ltd. (a company listed on the Shenzhen Stock Exchange) (stock code: 002010), Guosheng Financial Holding Inc. (a company listed on the Shenzhen Stock Exchange) (stock code: 002670) and Kunwu Jiuding Investment Holdings Co., Limited (a company listed on the Shanghai Stock Exchange) (stock code: 600053). Mr. Zhou is also the director of Nanda Automation Technology Jiangsu Co., Ltd (a company listed on New Third Board) (stock code: 834876). Mr. Zhou is also an independent non-executive director of Wang Yang Holdings Limited (stock code: 1735), the shares of which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of China ITS (Holdings) Co., Ltd. (stock code: 1900) and Green Leader Holdings Group Limited (stock code: 61), the shares of both companies are listed on the Stock Exchange, from September 2008 to June 2018 and from June 2013 to August 2019, respectively.

Mr. Tian Hong ("Mr. Tian"), aged 54, joined the Company on 4 July 2017 and is now an independent non-executive Director and member of each of the Audit, Nomination and Remuneration Committees. Mr. Tian has been the chief investment advisor of 至正實業有限公司 (Windus Enterprises Inc.*) since 2016. Mr. Tian obtained a master's degree in business administration from 山西財經大學(Shanxi University of Finance & Economics*) in 2009 and qualified as senior economist of The Bank of China in 1998. Mr. Tian worked for Industrial and Commercial Bank of China from 1984 to 1989. From 1990 to 2015, Mr. Tian worked for The Bank of China as operation deputy president, president, department head, and other senior management positions in charge of corporate finance, retail finance, investment banking, financial market and other core banking businesses.

Company Secretary

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

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance practices.

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

The Company has applied the principles set out with the code provisions in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the Year. The Board is of the view that throughout the year ended 30 June 2019, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and A.4.2 of the CG Code, details of which will be explained to sections "Chairman and Chief Executive Officer" and "Appointment and Re-election of Directors" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transaction. Having made specific enquiry of all Directors by the Company, all Directors, save as disclosed below, confirmed that they had complied with the required standards set out in the Model Code during the Year.

Pursuant to paragraph A.3 of Appendix 10 to the Listing Rules, the Directors were prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results (the "**Black-out Period**").

As disclosed in the announcement of the Company dated 12 September 2018, the Board was informed by Mr. Zhang, an executive Director, the chairman and chief executive officer of the Company, that he has entered into certain margin financing arrangement(s) and certain shares of the Company held by Mr. Zhang were deposited in a margin securities trading account (the "**Margin Account**") maintained with a securities firm (the "**Broker**") as collaterals to secure his margin financing (the "**Margin Securities**"). Mr. Zhang informed the Company that pursuant to the terms and conditions applicable to the Margin Account, the Broker disposed of a total of 1,400,000 Margin Securities, representing approximately 0.1% of the entire issued share capital of the Company, on the market on 7 September 2018 (the "**Disposal**") to settle the outstanding balances owing to the Broker.

The Disposal fell within the Black-out Period. The Directors (except Mr. Zhang) considered the Disposal and were satisfied that the Disposal during the Black-out Period was made under exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules, and that the Disposal during the Black-out Period should be allowed.

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

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

BOARD OF DIRECTORS

The Board comprises the following Directors:

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

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

The biographical information of the Directors and senior management is set out in the management profile on pages 11 to 13 of this annual report.

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

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

As Mr. Zhang is the Chairman and the Chief Executive Officer from 3 January 2018, it constituted a deviation from code provision A.2.1 of the CG Code since 3 January 2018. The positions of the Chairman and Chief Executive Officer of the Company are held by Mr. Zhang who has extensive knowledge about the management. The Company believes that this structure is conductive to strong and consistent leadership, enabling the Company to formulate and implement strategies efficiently and effectively. Under the supervision of the Board and its independent non-executive Directors, a balancing mechanism exists so that the interests of Shareholders are adequately and fairly represented. The Company considers that there is no imminent need to change this structure.

Independent Non-executive Directors

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

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. Mr. So has served as an independent non-executive Director for more than nine years. Pursuant to provision A.4.3 of the CG Code, his further appointment shall be subject to a separate resolution to be approved by Shareholders. The Board considered that Mr. So has exercised judgment in the best interest of the Company when discharging his duties as an independent non-executive Director. Despite his length of service, there is no evidence that the independence of Mr. So, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. Mr. So has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is therefore satisfied that Mr. So meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent. The Company considers that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

A Director may be appointed either by the Shareholders in a general meeting or by the Board upon the recommendation from the Nomination Committee. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment in appointment of new Directors. All candidates must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the Year, the Company had complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of a sufficient number of independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

Save for Mr. Chiu, all Directors, including the independent non-executive Directors, are appointed for a fixed term of two years. Under the Bye-laws 111 and 114 of the Company, one-third of the Directors, with the exception of Chairman or Deputy Chairman, Managing Director or joint Managing Director, are subject to retirement by rotation and re-election at the annual general meeting of the Company. New Directors appointed by the Board to fill a casual vacancy during any year are required to retire and submit themselves for election at the first general meeting immediately following their appointments. Notwithstanding the provisions of the Company's Bye-laws, the Company intends to comply with code provision A.4.2 of the CG Code by way of having one-third of all the Directors, including those appointed for a specific term, subject to retirement by rotation at each annual general meeting at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

Continuous Professional Development

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

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

Directors are requested to provide the Company with their respective training record pursuant to code provision A.6.5 of the CG Code. According to the records maintained by the Company, during the year under review, the Directors participated in continuous professional development by (i) attending external seminars, training courses, conferences and programs; or (ii) reading relevant materials and updates, relating to corporate governance practices, directors' duties, Listing Rules, relevant laws and regulations, and business development of the IT industry. The Company Secretary has taken not less than 15 hours of relevant professional training.

BOARD COMMITTEES

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

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

Audit Committee

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

During the Year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 30 June 2019, the interim results and report for the six months ended 31 December 2018 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the Company's auditors twice during the Year with regards of review the Company's financial report and accounts.

Remuneration Committee

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

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

Nomination Committee

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

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

Corporate Governance Functions

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of meetings attended/total number of meetings held				
Name of Director	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**2018 Annual General Meeting**
Executive Directors					
Mr. Zhang Sanhuo	16/16	2/2	–	1/1	1/1
Mr. Chiu Hang Tai	16/16	–	–	–	0/1
Mr. Chan Cheuk Ho	16/16	–	–	–	1/1
Independent non-executive Directors					
Mr. So Stephen Hon Cheung	16/16	2/2	2/2	1/1	1/1
Mr. Zhou Chunsheng	16/16	2/2	2/2	1/1	1/1
Mr. Tian Hong	16/16	2/2	2/2	1/1	1/1

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

COMPANY SECRETARY

The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters. During the Year, the Company Secretary had complied with the professional training requirements under the Rules 3.29 of the Listing Rules.

INDEPENDENT AUDITORS' REMUNERATION

An analysis of the remuneration paid and payable to the independent auditor of the Company, Zhonghui Anda CPA Limited, in respect of audit services and non-audit services for the Year is set out below:

Service Category	Fees Paid/ Payable US$
Audit Services	205,000
Non-audit Services	–
– tax services for the Group	
– agreed upon on procedures on Group's annual results announcement	
	205,000

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

SHAREHOLDERS' RIGHTS

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

1. Convening a Special General Meeting by Shareholders

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

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

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

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

2. Putting Forward Proposals at General Meetings

2.1 On the requisition in writing of (i) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:

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

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

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

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

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

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

3. **Putting Forward Enquiries to the Board**

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

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

4. **Contact Details**

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

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

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

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 2019 (the "**Year**").

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 are set out in the consolidated statement of profit or loss and other comprehensive income on page 41.

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 10 of this annual report respectively.

Principal Risks and Uncertainties

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

Certain financial risk and uncertainties are also set out in note 5 to the consolidated financial statements in this annual report.

Dividend Policy

The Board has approved and adopted a dividend policy with effect from 5 July 2019 (the "**Dividend Policy**"). The payment of dividend is subject to the compliance with related laws and regulations, including the laws of Bermuda, Company's bye-laws (the "**Bye-laws**"), the Listing Rules, and the financial reporting standards that the Group has adopted. The Board will continually review the Dividend Policy from time to time and reserves the right to amend or modify the Dividend Policy as and when the Board may deem necessary. There can be no assurance that dividends will be paid in any particular amount for any given period.

The Company intends to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. When considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

– the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;

– the amount of retained profits and distributable reserves of the Company;

– general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

– any other factors that the Board deems relevant.

Depending on the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as:

1. interim dividend;

2. final dividend;

3. special dividend; and

4. any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to the Shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance to the Bye-laws.

The Company does not have any pre-determined dividend distribution ratio and the Company's dividend distribution record in the past, if any, may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in future. The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

FINAL DIVIDEND

The Directors do not recommend a dividend for the Year (2018: Nil) pursuant to Dividend Policy.

Environmental Policies and Performance

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

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

Compliance with the Relevant Laws and Regulations

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

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

Relationship with Suppliers, Customers and Other Stakeholders

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

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

Permitted Indemnity Provision

The Bye-law 194 provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that this indemnity shall not extend to any matter incur or sustain through their own fraud or dishonesty. A Directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the directors.

Five Years Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 112.

Property, Plant and Equipment

During the Year, the Group acquired additional property, plant and equipment at a cost of approximately US$183,000.

Details of these and other movements during the Year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Share Capital and Share Option Schemes

Details of the Company's share capital and share option schemes are set out in notes 31 and 32 to the consolidated financial statements, respectively.

Distributable Reserves of the Company

Details of the movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 44 and the Company's reserves available for distribution to Shareholders as at 30 June 2019 were as follows:

	2019 **US$'000**	2018 US$'000
Contributed surplus	**9,036**	9,036
(Accumulated losses) retained profits	**(34,250)**	(799)
	(25,214)	8,237

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

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

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

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

Directors

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

Executive Directors:

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

Independent non-executive Directors:

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

Bye-law 111 provides that one-third of the Directors, with the exception of Chairman, Deputy Chairman, Managing Director and Joint Managing Director, shall retire from office by rotation at each annual general meeting. In order to put in place good corporate governance practice, notwithstanding the provisions of the Company's Bye-laws, the Company intends to have one-third of all the Directors subject to retirement by rotation at each annual general meeting. At the forthcoming 2019 annual general meeting, each of, Mr. Chan Cheuk Ho and Mr. Zhou Chunsheng will retire from office and, being eligible, shall offer himself for re-election pursuant to Bye-law 111 as executive Director and independent non-executive Director respectively.

Directors' Service Contracts

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

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

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

As at 30 June 2019, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code contained in the Listing Rules were as follows:

Long positions:
Ordinary shares of HK$0.10 each (the "Share(s)") of the Company

Name of company	Name of Director	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
PINE Technology Holdings Limited	Zhang Sanhuo	Controlled corporation	714,163,680 (Note 1)	53.83%

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

Name of company	Name of Director	Nature of Interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
PINE Technology (BVI) Limited	Chiu Hang Tai	Controlled corporation	1,650 (Note 2)	15%

Notes:

1. These underlying Shares are beneficially owned by and registered in the name of Sage Global Holdings Limited ("**Sage Global**"), which is a company incorporated in the British Virgin Islands ("**BVI**") and its entire issued share capital is wholly and beneficially owned by South Pearl Ventures Limited ("**South Pearl**"), and South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company. As at 30 June 2019, all the Shares held by Sage Global were pledged as security for facilities granted to Sage Global.

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

Long positions in the underlying Shares:

Name of director	Nature of Interest	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhang Sanhuo	Beneficial owner	16,860,000 (Note 1)	1.27%
Mr. Chan Cheuk Ho	Beneficial owner	19,260,000 (Note 2)	1.45%

Notes:

1. These underlying Shares are held by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK$0.83 per Share and 10,860,000 Shares at an exercise price of HK$0.46 per Share.

2. These underlying Shares are held by Mr. Chan Cheuk Ho, an executive Director, as share options of the Company which entitle him to subscribe for 6,000,000 Shares at an exercise price of HK$0.83 per Share and 13,260,000 Shares at an exercise price of HK$0.46 per Share.

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, the wife of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited ("**Pineview Industries**"), a subsidiary of the Company as at 30 June 2019. 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 Pineview Industries. In the event of winding up of Pineview Industries, the holders of the deferred shares are entitled to distribution out of the remaining assets of Pineview Industries only after the distribution of HK$1,000 million, as specified in the articles of association of Pineview Industries, to holders of the ordinary shares.

Save as disclosed above, as at 30 June 2019, and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code.

Share Options

Particulars of the Company's share option schemes are set out in note 32 to the consolidated financial statements.

The Company's share option scheme (the "**Scheme**") was adopted by the Shareholders pursuant to a resolution passed on 22 November 2013 for the purpose of providing incentives or reward to the Directors, eligible employees or any person who have contributed or may contribute to the Group. The Scheme was amended pursuant to the resolution passed by the Shareholders on 15 November 2018 and the Directors considered that the amendment to the Scheme was in line with Rule 17.04(l) of the Listing Rules. Please refer to the circular of the Company dated 16 October 2018 and the announcement of the Company dated 15 November 2018 for further information in relation to the amendment to the Scheme. Unless otherwise cancelled or amended, will expire on 21 November 2023.

Share options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per share option. A share option may be exercised in accordance with the terms of the Scheme at any time during the respective effective period of the Scheme to be notified by the Board which shall not be later than 10 years from the date of grant. The exercise price is determined by the Directors, 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 5 business days immediately preceding the date of grant, and the nominal value.

As disclosed in the announcement of the Company dated 12 December 2018, there were 80,140,000 share options granted to certain grantees (the "**Grantees**") which included the Directors with an exercise price HK$0.46 per share pursuant to the Scheme (the "**Share Options 2018**"). Basis of determining the exercise price of HK$0.46 per share was not less than the highest of: (i) the closing price of HK$0.46 per share as quoted in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of approximately HK$0.46 per share as quoted in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of HK$0.10 per share.

As disclosed in the announcement of the Company dated 26 June 2019, taking into account that the exercise price of the Share Options 2018 was higher than the then market prices of the Shares, the Board considered that the Share Options 2018 could no longer serve the purpose of providing incentives or rewards to the Grantees thereof. As approved by the Board (including the independent non-executive Directors) and consented by certain Grantees (the "**Relevant Grantees**"), an aggregate of 19,500,000 Share Options (the "**Relevant Options**") granted to the Relevant Grantees were cancelled with effect from 26 June 2019 in accordance with the terms of the Share Option Scheme. No compensation was payable to the Relevant Grantees for cancellation of the Relevant Options.

Details of the share options outstanding under the Scheme as at 30 June 2019 to subscribe for the shares in the Company are as follows:

Granted to	Position(s) held in the Company	Date of grant	Validity period (both dates inclusive)	Exercisable period (both dates Inclusive)	Exercise price HK$	Number of share options Outstanding as at 30 June 2019
Mr. Zhang Sanhuo	Chairman and Chief Executive Officer	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	10,860,000
Mr. Chan Cheuk Ho	Executive Director	22.9.2017	22.9.2017 to 21.9.2027	33.33% 22.9.2017 to 21.9.2027; 33.33% 22.9.2018 to 21.9.2027; and 33.34% 22.9.2019 to 21.9.2027	0.83	6,000,000
		12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	13,260,000
Other grantees	Consultants	12.12.2018	12.12.2018 to 11.12.2028	50% 12.12.2018 to 11.12.2028; and 50% 12.12.2019 to 11.12.2028	0.46	36,520,000

The total number of shares available for issue under the Share Option Scheme is 72,658,478 representing approximately 5.48% of the Company's issued share capital as at the date of this annual report.

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed under the Scheme during the Year.

As at 30 June 2019, the Group has recognized approximately US$1,905,000 (30 June 2018: US$532,000) of share-based payment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

Arrangement to Acquire Shares or Debentures

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

There was no transaction, arrangement or contract of significance, to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' Interest in Competing Business

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

Substantial Shareholders' Interests in Securities

Save as the interests of certain Directors disclosed under the section headed "Directors' and chief executive's interests and short position in shares, underlying shares and debentures", according to the register of interests maintained by the Company pursuant to section 336 of the SFO and as far as the Directors are aware, as at 30 June 2019, the following persons or corporations (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital:

Name of Company	Name of substantial Shareholder	Capacity	Number of issued shares held	Position	Approximate percentage of the issued share capital of the Company
PINE Technology Holdings Limited	Sage Global	Beneficial owner	714,163,680 (Note 1)	Long	53.83%
			714,163,680 (Note 1)	Short	53.83%
	South Pearl	Controlled corporation	714,163,680 (Note 1)	Long	53.83%
			714,163,680 (Note 1)	Short	53.83%
	Hammer Capital Private Investments Limited	Person having a security interest in shares	714,163,680 (Note 2)	Long	53.83%
	Cheung Siu Fai	Controlled corporation	714,163,680 (Note 2)	Long	53.83%
	Tsang Ling Kay Rodney	Controlled corporation	714,163,680 (Note 2)	Long	53.83%
	Hui Oi Lan	Beneficial owner	110,400,000	Long	8.32%
PINE Technology (BVI) Limited	Simply Perfect	Beneficial owner	1,650 (Note 3)	Long	15%

Notes:

1. Sage Global beneficially owns 714,163,680 Shares. Sage Global is wholly and beneficially owned by South Pearl. South Pearl is in turn wholly and beneficially owned by Mr. Zhang Sanhuo, an executive Director, the chairman and chief executive officer of the Company. As at 30 June 2019, all the Shares held by Sage Global were pledged for securing the banking facilities granted to Sage Global.

2. Hammer Capital Private Investments Limited, a company incorporated in BVI with limited liability, is owned as to 50% by Mr. Cheung Siu Fai and Mr. Tsang Ling Kay Rodney respectively.

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2019.

Convertible Securities, Options, Warrants or Similar Rights

Other than the share options as set out in note 32 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30 June 2019.

Major Customers and Suppliers

For the Year, the top five suppliers of the Group together accounted for approximately 32% of the Group's total purchases and the largest supplier accounted for approximately 10% of the Group's total purchases.

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

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

Emolument Policy

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

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

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

Details of Directors' emolument and individuals with highest emoluments are set out in note 13 to the consolidated financial statements.

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.

Review of the Final Results by Audit Committee

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

Independent Auditor

The consolidated financial statement for the year ended 30 June 2018 were audited by Messrs. Deloitte Touche Tohmatsu. Messrs. Deloitte Touche Tohmatsu had resigned as an independent auditor of the Company with effect from 21 June 2019. Zhonghui Anda CPA Limited was appointed as an independent auditor of the Company with effect from 21 June 2019 and to hold office until the conclusion of the next annual general meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 36 to 40.

On behalf of the Board

Zhang Sanhuo
CHAIRMAN

Hong Kong, 30 September 2019

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of PINE Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 41 to 111, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Inventories	
Refer to Note 22 to the consolidated financial statements The Group tested the amount of inventory for impairment. This impairment test is significant to our audit because the balance of inventory of US$31,752,000 as at 30 June 2019 and its impairment losses of approximately US$6,220,000 for the year ended 30 June 2019 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.	Our audit procedures included, among others: – Assessing the Group's procedures on ordering and holding of inventories; – Evaluating the Group's impairment assessment; – Assessing the marketability of the inventories; – Assessing the ageing of the inventories; – Assessing the net realisable values of the inventories; and – Checking subsequent sales and usage of the inventories. We consider that the Group's impairment test for inventories is supported by the available evidence.
Trade and other receivables	
Refer to Note 23 to the consolidated financial statements The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of approximately US$19,824,000 as at 30 June 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.	Our audit procedures included, among others: – Assessing the Group's procedures on granting credit limits and credit periods to debtors; – Assessing the Group's relationship and transaction history with the debtors; – Evaluating the Group's impairment assessment; – Assessing ageing of the debts; – Assessing creditworthiness of the debtors; – Checking subsequent settlements from the debtors; and – Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements. We consider that the Group's impairment test for trade receivables is supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets	
Refer to Note 17 and Note 18 to the consolidated financial statements The Group tested the amount of goodwill and intangible assets for impairment. This impairment test is significant to our audit because the balance of goodwill and intangible assets of approximately US$7,985,000 and US$13,328,000, respectively, as at 30 June 2019 and impairment loss on goodwill of approximately US$3,845,000 for the year ended 30 June 2019 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.	Our audit procedures included, among others: – Assessing the identification of the related cash generating units; – Assessing the competence, independence and integrity of the external valuer engaged by client; – Obtaining the external valuation reports and communicate with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model; – Assessing the arithmetical accuracy of the value-in-use calculations; – Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and – Checking input data to supporting evidence. We consider that the Group's impairment test for goodwill and intangible assets are supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to use after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988

Hong Kong, 30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	NOTES	2019 US$'000	2018 US$'000
Revenue	7	**167,070**	282,235
Cost of sales		**(183,514)**	(273,124)
Gross (loss)/profit		**(16,444)**	9,111
Other income		**239**	588
Other gains and losses	8	**(9,154)**	(1,626)
Selling and distribution expenses		**(3,198)**	(3,756)
General and administrative expenses		**(14,712)**	(12,540)
Operating loss		**(43,269)**	(8,223)
Finance costs	9	**(509)**	(625)
Loss before income tax		**(43,778)**	(8,848)
Income tax credit/(expense)	11	**279**	(441)
Loss for the year	12	**(43,499)**	(9,289)
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(310)**	153
Total other comprehensive (loss)/income for the year		**(310)**	153
Total comprehensive loss for the year		**(43,809)**	(9,136)
Loss for the year attributable to:			
Owners of the Company		**(38,733)**	(8,235)
Non-controlling interests		**(4,766)**	(1,054)
		(43,499)	(9,289)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(38,994)**	(8,105)
Non-controlling interests		**(4,815)**	(1,031)
		(43,809)	(9,136)
Loss per share	15		
Basic and diluted (US cents)		**(2.95)**	(0.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**2019 US$'000**	2018 US$'000
Non-current assets			
Property, plant and equipment	16	**829**	853
Goodwill	17	**7,985**	–
Intangible asset	18	**13,328**	3
Interest in a joint venture	19	**–**	–
Deposit placed for a life insurance policy	20	**505**	484
Contingent consideration	21	**405**	–
Rental deposits		**66**	47
		23,118	1,387
Current assets			
Inventories	22	**31,752**	100,485
Trade and other receivables	23	**19,824**	12,665
Loan receivables	24	**10,043**	9,162
Contract assets and contract costs	25	**625**	–
Contingent consideration	21	**673**	–
Tax recoverable		**25**	14
Bank balances and cash	26	**6,845**	8,681
		69,787	131,007
Current liabilities			
Trade and other payables	27	**29,146**	48,763
Loan from a non-controlling shareholder of a subsidiary	28	**2,261**	7,511
Tax payable		**303**	9
Secured bank borrowings	29	**6,892**	13,334
		38,602	69,617
Net current assets		**31,185**	61,390
Total assets less current liabilities		**54,303**	62,777
Non-current liability			
Deferred tax liabilities	30	**2,170**	171
NET ASSETS		**52,133**	62,606

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	2019 US$'000	2018 US$'000
Capital and reserves			
Share capital	31	**17,045**	14,214
Reserves		**28,955**	47,361
Equity attributable to owners of the Company		**46,000**	61,575
Non-controlling interests		**6,133**	1,031
TOTAL EQUITY		**52,133**	62,606

The consolidated financial statements on pages 41 to 111 were approved and authorised for issue by the Board of Directors on 30 September 2019 and are signed on its behalf by:

Zhang Sanhuo
DIRECTOR

Chiu Hang Tai
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Surplus account US$'000 (Note)	Exchange reserve US$'000	Share options reserve US$'000	Retained profits/ (accumulated losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 July 2017	11,851	27,083	2,954	394	–	11,963	54,245	2,062	56,307
Loss for the year	–	–	–	–	–	(8,235)	(8,235)	(1,054)	(9,289)
Other comprehensive income for the year	–	–	–	130	–	–	130	23	153
Total comprehensive income for the year	–	–	–	130	–	(8,235)	(8,105)	(1,031)	(9,136)
Ordinary share issued (note 31)	2,363	12,540	–	–	–	–	14,903	–	14,903
Recognition of equity-settled share based payments (note 32)	–	–	–	–	532	–	532	–	532
Balance at 30 June 2018	14,214	39,623	2,954	524	532	3,728	61,575	1,031	62,606
Balance at 1 July 2018	**14,214**	**39,623**	**2,954**	**524**	**532**	**3,728**	**61,575**	**1,031**	**62,606**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(38,733)**	**(38,733)**	**(4,766)**	**(43,499)**
Other comprehensive loss for the year	**-**	**-**	**-**	**(261)**	**-**	**-**	**(261)**	**(49)**	**(310)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(261)**	**-**	**(38,733)**	**(38,994)**	**(4,815)**	**(43,809)**
Acquisition of subsidiaries (note 10 and 31)	**2,831**	**18,683**	**-**	**-**	**-**	**-**	**21,514**	**4,667**	**26,181**
Recognition of equity-settled share based payments (note 32)	**-**	**-**	**-**	**-**	**1,905**	**-**	**1,905**	**-**	**1,905**
Contribution from non-controlling shareholder of subsidiary (note 34)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,250**	**5,250**
Cancellation of share options (note 32)	**-**	**-**	**-**	**-**	**(441)**	**441**	**-**		**-**
Balance at 30 June 2019	**17,045**	**58,306**	**2,954**	**263**	**1,996**	**(34,564)**	**46,000**	**6,133**	**52,133**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019	2018
	US$'000	US$'000
Cash flows from operating activities		
Loss before income tax	**(43,778)**	(8,848)
Adjustments for:		
Depreciation of property, plant and equipment	**233**	276
Recognition of (Reversal of) impairment loss on trade and other receivables	**2,097**	(4)
Amortisation of intangible assets	**1,426**	265
Finance costs	**509**	625
Interest income	**(37)**	(55)
Impairment losses on goodwill	**3,845**	–
Impairment losses on amount due from joint venture	**684**	1,055
Impairment losses on development costs	**128**	236
Impairment losses on property, plant and equipment	**89**	60
Impairment losses on trademarks	**11**	140
Loss on disposal of property, plant and equipment	**1**	5
Recognition of equity settled share-based payments	**1,905**	532
Fair value change on contingent consideration	**1,606**	–
Write-down of inventories	**6,220**	5,575
Operating loss before working capital changes	**(25,061)**	(138)
Change in inventories	**62,257**	(73,872)
Change in trade and other receivables and rental deposits	**(8,623)**	58,864
Change in loan receivables	**(881)**	(9,162)
Change in contract assets and contract costs	**256**	–
Change in trade and other payables	**(21,589)**	15,860
Change in amount due from joint venture	**(684)**	(241)
Net cash generated from/(used in) operations	**5,675**	(8,689)
Income tax paid	**355**	(405)
Net cash generated from/(used in) operating activities	**6,030**	(9,094)
Cash flows from investing activities		
Interest received	**16**	34
Purchases of property, plant and equipment	**(183)**	(858)
Development costs incurred	**(180)**	(240)
Additions to trademarks	**(12)**	(6)
Proceeds from disposal of property, plant and equipment	**2**	–
Withdrawal of pledged bank deposits	**–**	670
Net cash outflow from acquisition of assets through acquisition of a subsidiary	**–**	(221)
Net cash inflow from acquisition of subsidiaries	**80**	–
Net cash used in investing activities	**(277)**	(621)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019 US$'000	2018 US$'000
Cash flows from financing activities		
Interest paid	**(509)**	(625)
New bank borrowings raised	**–**	34,785
Repayment of bank borrowings	**(7,036)**	(38,108)
Repayment of obligations under finance leases	**–**	(20)
Loan from directors	**2,962**	6,154
Repayments to directors	**(2,962)**	(6,154)
Advances from a joint venture	**–**	374
Proceeds from issue of shares	**–**	14,903
Net cash (used in)/generated from financing activities	**(7,545)**	11,309
Net (decrease)/increase in cash and cash equivalents	**(1,792)**	1,594
Effect of foreign exchange rate changes	**(44)**	18
Cash and cash equivalents at beginning of the year	**8,681**	7,069
Cash and cash equivalents at end of reporting period, Represented by bank and cash balances	**6,845**	8,681
Analysis of cash and cash equivalents		
Bank balances and cash	**6,845**	8,681

1. GENERAL INFORMATION

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

The principal activities of the Group are the manufacturing and sales of high-quality computer components, consumer electronic products and others, provision of money lending service, trading business and computer software and hardware and system development business. The Company is an investment holding company. Principal activities of the subsidiaries are set out in note 36 to the consolidated financial statements.

The consolidated financial statements are presented in United States dollars ("**US$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under historical cost convention, as modified by the revaluation of investments at fair value through profit or loss which is carried at its fair values. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint arrangements *(Continued)*

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in US$, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Trademarks

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the Group's hydroponics products development is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2 years. 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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 differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, investments at fair value through profit or loss, inventories and receivables 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY ESTIMATES

Key sources of estimation uncertainty

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 and liabilities within the next financial year, are discussed below.

(a) Estimated allowances for inventories

Inventories are stated at the lower of cost and net realisable values. As at 30 June 2019, the carrying amount of inventories is approximately US$31,752,000 (2018: US$100,485,000). During the year ended 30 June 2019, written off of inventories amounted to approximately US$6,220,000 (2018: US$5,575,000) was recognised in profit or loss to write-down the cost of inventories to their net realisable values.

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

(b) Recoverability of trade and other receivables

Allowance for doubtful debts is made when there is objective evidence that the recoverability of trade and other receivables due from customers becomes doubtful. As at 30 June 2019, the carrying amounts of trade and other receivables are approximately US$19,824,000 (2018: US$12,665,000). In determining the recoverability of overdue trade and other receivables, management makes assumptions and applies judgements in assessing the recoverability of trade receivables, based on certain of these factors including debt aging, historical settlement experience, subsequent settlements, future expected settlement plan, business relationship with the debtors and credit assessment of debtors. The directors of the Company believe that there will not be a material change in the estimates or assumptions which are used in the calculations of recoverable amounts of trade receivables. However, when the actual outcome or expectation in the future is less or more than the original estimates, additional or reversal of impairment loss may arise.

4. KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated and other intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill and intangible assets at the end of the reporting period were approximately US$7,985,000 and US$13,328,000 respectively. Impairment losses on goodwill and intangible assets of approximately US$3,845,000 and US$139,000 had been recognised during the year ended 30 June 2019 (2018: impairment on intangible assets of approximately US$376,000), respectively. Details of the impairment loss calculation are provided in note 17 and note 18 to consolidated financial statements.

(d) *Estimate impairment of loan receivables*

The Group has designed controls over the grant of new loans to borrowers and performed annual review of existing loan receivables with reference to the credit quality of the borrowers. In determining the recoverability of unsecured loan receivables, the Group considers the credit quality of the unsecured loan receivables with reference to the credit history of the borrowers including default or delay in payment, historical settlements and settlements of loan interests of the unsecured loan receivables subsequent to the end of the reporting period, the financial background of the borrowers and the available financial information of the borrowers at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual outcome or expectation of the recoverability of loan receivables is different from the original estimate, such difference will impact the carrying value of loan receivables and allowance for doubtful debts or write-back in the period in which such estimate has changed. As at 30 June 2019, the carrying amount of unsecured loan receivables is US$10,043,000 (2018: US$9,162,000). There is no allowance or impairment loss recognised for both years.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and loan receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers. The top five customers of the Group accounted for about 38% (2018: 31%) of the Group's trade receivables as at 30 June 2019. For money lending services segment, the Group's loan receivables from four (2018: four) borrowers represent 100% of loan receivables. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss Provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Group's financial liabilities are due within one year.

(d) Interest rate risk

The Group exposed to cash flow interest rate risk in relation to 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 bank balances and bank borrowings is minimal, accordingly, no sensitivity analysis is presented for both years.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(f) Categories of financial instruments at 30 June

	2019 **US$'000**	2018 US$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**37,908**	30,700
Investments at fair value through profit or loss: Mandatorily measured	**1,078**	–
	38,986	30,700
Financial liabilities:		
Financial liabilities at amortised cost:	**38,299**	68,730

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June:

	Fair value measurements using:			Total
	Level 1	**Level 2**	**Level 3**	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	–	–	1,078	1,078
Total recurring fair value measurements	–	–	1,078	1,078

During the years ended 30 June 2019 and 2018, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

6. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of liabilities measured at fair value based on level 3:

	Contingent consideration 2019 US$'000
At the beginning of year	–
Acquisition of subsidiaries	2,684
Total losses recognised in profit or loss [#]	(1,606)
At the end of reporting period	1,078
[#] Include losses for contingent consideration at the end of reporting period	(1,606)

The total losses recognised in profit or loss are presented in administrative expenses (fair value changes on contingent consideration) in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2019:

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 US$'000
Contingent consideration	Monte-Carlo Simulator Analysis	Expected volatility	11.10%	Increase	
		Discount rate	18.87%	Decrease	1,078

7. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and assessment of segment performance focuses on the sales of brands of products provided by the Group's operating divisions. The Group is currently organised into five operating divisions, which are the sales of Group's brand products; sales of other brand products; money lending service; trading business and sales of computer software and hardware and system development. These five operating divisions form the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

Group's brand products	–	manufacture and sales of market video graphics cards and other computer components under the Group's brand name
Other brand products	–	distribution of other manufacturers' computer components and consumer electronic products and others
Money lending service	–	money lending service in Hong Kong
Trading business	–	trading of chemical product in the People's Republic of China (the "**PRC**")
Computer software and hardware and system development	–	computer software and hardware and system development in the PRC

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's revenue is analysed as follows:

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

Disaggregation of revenue from contracts with customers:

For the year ended 30 June 2019

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Disaggregation of revenue from contracts with customers: *(Continued)*

For the year ended 30 June 2018

	Group brand products US$'000	Other brand products US$'000	Trading business US$'000	Computer software and hardware and system development US$'000	Consolidated US$'000
Major products/services					
Sales of market video graphics cards	209,755	–	–	–	209,755
Sales of other computer components	2,114	55,046	–	–	57,160
Sales of consumer electronic products and others	–	15,133	–	–	15,133
Sales of chemical products through trading business	–	–	–	–	–
Provision for computer software and hardware and system development service	–	–	–	–	–
Total	211,869	70,179	–	–	282,048
Timing of revenue recognition					
At a point in time	211,869	70,179	–	–	282,048
Over time	–	–	–	–	–
Total	211,869	70,179	–	–	282,048

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

Provision for computer software and hardware and system development service

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

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

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Provision for computer software and hardware and system development service *(Continued)*

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

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

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

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

For the year ended 30 June 2019

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Provision for computer software and hardware and system development service *(Continued)*

For the year ended 30 June 2018

	Group brand products US$'000	Other brand products US$'000	Money Lending Service US$'000	Trading business US$'000	Computer software and hardware and system development US$'000	Consolidated US$'000
REVENUE						
External sales	211,869	70,179	–	–	–	282,048
Loan interest income	–	–	187	–	–	187
	211,869	70,179	187	–	–	282,235
SEGMENT RESULT	(5,089)	(232)	19	–	–	(5,302)
Interest income						55
Unallocated corporate expenses						(2,976)
Finance costs						(625)
Loss before tax						(8,848)

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

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 30 June 2019

	Group brand products US$'000	Other brand products US$'000	Money Lending Service US$'000	Trading business US$'000	Computer software and hardware and system development US$'000	Consolidated US$'000
Allowance for doubtful debts (reversed) recognised, net	2,097	–	–	–	–	2,097
Amortisation of intangible assets	45	–	–	–	1,381	1,426
Depreciation of property, plant and equipment	164	56	–	–	13	233
Impairment losses on amount due from a joint venture	684	–	–	–	–	684
Impairment losses on goodwill	–	–	–	–	3,845	3,845
Fair value change in contingent consideration	–	–	–	–	1,606	1,606
Impairment losses on development costs	128	–	–	–	–	128
Impairment losses on property, plant and equipment	89	–	–	–	–	89
Impairment losses on trademarks	11	–	–	–	–	11
Loss on disposal of property, plant and equipment	–	–	–	–	1	1

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 30 June 2018

	Group brand products US$'000	Other brand products US$'000	Money Lending Service US$'000	Trading business US$'000	Computer software and hardware and system development US$'000	Consolidated US$'000
Allowance for doubtful debts (reversed) recognised, net	(16)	12	–	–	–	(4)
Amortisation of intangible assets	265	–	–	–	–	265
Depreciation of property, plant and equipment	155	55	66	–	–	276
Impairment losses on amount due from a joint venture	1,055	–	–	–	–	1,055
Impairment losses on development costs	236	–	–	–	–	236
Impairment losses on property, plant and equipment	60	–	–	–	–	60
Impairment losses on trademarks	140	–	–	–	–	140
Loss on disposal of property, plant and equipment	5	–	–	–	–	5

Geographical information

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

	Revenue by external customers		**Non-current assets**	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Canada	**20,439**	38,044	**84**	123
The United States	**51,414**	93,581	**66**	47
Asia	**84,041**	93,032	**22,056**	727
Europe	**10,594**	56,099	**2**	6
Others	**582**	1,479	**–**	–
	167,070	282,235	**22,208**	903

Information about major customers

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

	2019 US$'000	2018 US$'000
Interest on:		
Secured bank borrowings	**483**	590
Loans from directors	**26**	35
	509	625

10. ACQUISITION OF SUBSIDIARIES

On 9 July 2018, Talent Crest Limited ("**Talent Crest**"), the indirect wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement thereto dated 13 July 2018, collectively known as, the "**Sale and Purchase Agreement**") with Harmonious Miles Limited ("**Harmonious Miles**"), as vendor and Mr. Wu Chung Man Ronnie as guarantor for the acquisition of entire equity interest of Eternal Abundant Limited and its subsidiaries (the "**Eternal Abundant Group**") (the "**Acquisition**") for a total consideration of HK$220,800,000 which is comprised of 220,800,000 new ordinary shares of the Company being allotted and issued by the Company. The Acquisition was completed on 23 July 2018 (the "**Completion Date**").

Pursuant to the Sale and Purchase Agreement, Harmonious Miles has warranted and guaranteed to Talent Crest that the audited consolidated profit after tax of Eternal Abundant Group as shown in the audited consolidated accounts of the Group for (i) the 12-month period commencing from the Completion Date; (ii) the 12-month period commencing from the date falling on the first anniversary of the Completion Date; and (iii) the 12-month period commencing from the date falling on the second anniversary of the Completion Date shall not be less than HK$14,500,000, HK$15,500,000 and HK$16,500,000 respectively. In the event of non-fulfilment of the Profit Guarantee, Harmonious Miles and/or the guarantor shall compensate Talent Crest by 23.7 times of the aggregate amount of shortfall of the relevant guarantee period(s) in cash, and such compensation shall not exceed the sum of HK$220,800,000, being the amount of consideration for the Acquisition, in any event.

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

The principal activity of Eternal Abundant Limited is investment holdings. The principal activity of China UIP Information Technology Co. Limited, the indirect 60% equity interests subsidiary of Eternal Abundant Limited, is business of computer software and hardware and system development in the PRC.

The fair value of the identifiable assets and liabilities of Eternal Abundant Group acquired as at its date of acquisition is as follows:

	US$'000
Property, plant and equipment	119
Intangible assets	14,707
Trade receivables	614
Contract assets and contract costs	881
Deposits, prepayment and other receivables	38
Bank balances and cash	80
Trade and other payables	(1,972)
Bank borrowings	(594)
Deferred tax liabilities	(2,206)
Total identifiable net assets at fair value	11,667
Non-controlling interests	(4,667)
Goodwill	11,830
Consideration transferred	18,830
Satisfied by:	
Issue of new ordinary shares of the Company (note)	21,514
Contingent consideration	(2,684)
	18,830

Analysis of net inflow of cash and cash equivalents in respect of acquisition of Eternal Abundant Group:

	US$'000
Cash and cash equivalents acquired	80

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

Note:

The fair value of the ordinary shares of the Company issued as consideration is determined by reference to the quoted market price of HK$0.76 per each of the ordinary shares of the Company at the Completion Date.

Eternal Abundant Group contributed revenue of approximately US$4,510,000 to the Group's revenue and profit of approximately US$1,463,000 to the Group's results for the year between the date of acquisition and the end of the reporting year.

Had the Acquisition been completed on 1 July 2018, the Directors would not have expected a material impact to the Group's revenue and loss for the period as the revenue and losses contributed by Eternal Abundant from 1 July 2018 up to 23 July 2018 (the Completion Date) was insignificant to the Group. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 July 2018, nor is it intended to be a projection of future results.

11. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	US$'000	US$'000
Current tax:		
Hong Kong Profits Tax	**–**	6
The PRC Enterprise Income Tax	**50**	339
Other jurisdictions	**1**	6
	51	351
Over-provision in respect of prior years:		
Hong Kong Profits Tax	**–**	(5)
PRC Enterprise Income Tax	**–**	(13)
Other jurisdictions	**(123)**	–
	(123)	(18)
Deferred tax (note 30)	**(207)**	108
Income tax (credit)/expense	**(279)**	441

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

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

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

Other jurisdictions mainly included the United States. Taxation arising in other jurisdictions (of which United States is at 30% (2018: 40%)) is calculated at the rates prevailing in the respective jurisdictions.

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

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

The reconciliation between the income tax (credit)/expense and loss before tax is as follows:

	2019 US$'000	2018 US$'000
Loss before tax	**(43,778)**	(8,848)
Tax at the applicable tax rate of 30% (Note)	**(13,133)**	(3,539)
Tax effect of expenses not deductible for tax purpose	**12,466**	4,762
Tax effect of income not taxable for tax purpose	**(1,020)**	(30)
Utilisation of tax losses previously not recognised	**(213)**	(986)
Tax effect of tax losses not recognised	**578**	381
Tax effect of deductible temporary differences not recognised	**653**	(3)
Overprovision in respect of prior years	**(116)**	(18)
Others	**–**	–
Deferred tax provided for withholding tax on income derived in the PRC	**–**	108
Effect of different tax rates of subsidiaries operating in other jurisdictions	**498**	(295)
Others	**8**	61
Income tax (credit)/expense	**(279)**	441

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

12. LOSS FOR THE YEAR

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

	2019 **US$'000**	2018 US$'000
Amortisation on:		
Development costs	**43**	252
Trademarks	**2**	13
Customer relationship	**1,381**	–
Auditor's remuneration	**525**	488
Cost of inventories sold	**120,534**	267,549
Depreciation of property, plant and equipment	**233**	276
Interest income on bank deposits	**(16)**	(34)
Interest income on deposit placed for a life insurance policy	**(21)**	(21)
Operating lease rentals in respect of rented premises	**1,226**	1,238
Staff costs (including directors' remuneration – note 13)		
Salaries, bonus and allowances	**8,589**	7,846
Retirement benefits scheme contributions	**109**	31
Equity-settled share based payments to directors	**850**	532
	9,548	8,409
Equity-settled share based payments to consultants	**1,055**	–
Impairment losses on inventories (included in cost of sales)	**6,220**	5,575

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The remuneration of each director for the year ended 30 June 2019 is set out below:

	Fee US$'000	Salaries, allowances and benefits in kind US$'000	Retirement benefits scheme contributions US$'000	Share-based payment US$'000	Total US$'000
Executive Directors					
Mr. Zhang Sanhuo	**167**	**434**	**–**	**391**	**992**
Mr. Chiu Hang Tai	**15**	**124**	**2**	**–**	**141**
Mr. Chan Cheuk Ho	**167**	**–**	**–**	**459**	**626**
Independent Non-executive Directors					
Mr. Zhou Chunsheng	**18**	**–**	**–**	**–**	**18**
Mr. So Hon Cheung	**18**	**–**	**–**	**–**	**18**
Mr. Tian Hong	**18**	**–**	**–**	**–**	**18**
Total	**403**	**558**	**2**	**850**	**1,813**

The remuneration of each director for the year ended 30 June 2018 is set out below:

	Fee US$'000	Salaries, allowances and benefits in kind US$'000	Retirement benefits scheme contributions US$'000	Share-based payment US$'000	Total US$'000
Executive Directors					
Mr. Zhang Sanhuo	161	163	–	266	590
Mr. Chiu Hang Tai	32	155	2	–	189
Mr. Chan Cheuk Ho	161	–	–	266	427
Independent Non-executive Directors					
Mr. Zhou Chunsheng	18	–	–	–	18
Mr. So Stephen Hon Cheung	18	–	–	–	18
Mr. Tian Hong	18	–	–	–	18
Total	408	318	2	532	1,260

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS *(Continued)*

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2018: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019	2018
	US$'000	US$'000
Basic salaries and allowances	**325**	285
Retirement benefit scheme contributions	**–**	2
	325	287

The emoluments fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**–**	–
HK$1,000,000 to HK$ 1,500,000	**2**	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

No dividend had been paid or proposed for both years presented. The directors of the Company do not recommend a dividend in respect of the year ended 30 June 2019.

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately US$38,733,000 (2018: US$8,235,000) and the weighted average number of ordinary shares of 1,313,393,000 (2018: 1,059,106,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 30 June 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$'000	Plant and machinery US$'000	Motor vehicles US$'000	Furniture, fixtures and equipment US$'000	Computer equipment US$'000	Total US$'000
Cost						
At 1 July 2017	4,869	13,591	237	921	2,492	22,110
Exchange adjustments	(6)	121	(1)	1	(9)	106
Additions	–	51	795	11	1	858
Disposals	–	(13)	–	(4)	–	(17)
At 30 June 2018	4,863	13,750	1,031	929	2,484	23,057
Exchange adjustments	3	5	–	–	(5)	3
Acquisition of subsidiaries	–	–	3	5	111	119
Additions	–	–	166	1	16	183
Write-off	–	(73)	–	(44)	(12)	(129)
Disposals	–	–	(29)	–	–	(29)
At 30 June 2019	4,866	13,682	1,171	891	2,594	23,204
Accumulated depreciation and impairment						
At 1 July 2017	4,790	13,497	183	895	2,471	21,836
Exchange adjustments	(6)	59	(1)	–	(8)	44
Provided for the year	21	137	97	11	10	276
Eliminated upon disposals	–	(8)	–	(4)	–	(12)
Impairment loss	–	6	19	27	8	60
At 30 June 2018	4,805	13,691	298	929	2,481	22,204
Exchange adjustments	2	4	2	–	(4)	4
Provided for the year	20	16	184	1	12	233
Impairment loss	–	–	89	–	–	89
Eliminated upon write-off	–	(73)	–	(44)	(12)	(129)
Eliminated upon disposals	–	–	(26)	–	–	(26)
At 30 June 2019	4,827	13,638	547	886	2,477	22,375
Carrying amount						
At 30 June 2019	39	44	624	5	117	829
At 30 June 2018	58	59	733	–	3	853

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

During the year ended 30 June 2019, the Group carried out review of the recoverable amount of its property, plant and equipment used in the Group's brand products segment and other brand products segment. The reviews led to the recognition of an impairment losses of approximately US$89,000 (2018: US$60,000) have been recognised in profit or loss for the year ended 30 June 2019. The recoverable amount of the relevant assets of approximately US$84,000 has been determined on the basis of their value in use using discounted cashflow method (level 3 fair value measurements). The discount rate used was approximately 17 per cent.

The Group has pledged leasehold improvements, motor vehicles, furniture, fixtures and equipment and computer equipment with an aggregate carrying value of approximately US$84,000 (30 June 2018: US$124,000) to secure general banking facilities granted to the Group.

17. GOODWILL

	US$'000
COST AND CARRYING AMOUNT	
At 1 July 2017, 30 June 2018 and 1 July 2018	–
Acquisition of subsidiaries (note 10)	11,830
Impairment losses on goodwill	(3,845)
At 30 June 2019	7,985

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill arose from the acquisition of Eternal Abundant Group during the year ended 30 June 2019 and had been allocated to computer software and hardware and system development segment.

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's computer software and hardware and system development business is 17.15%.

At 30 June 2019, before impairment testing, goodwill of US$11,830,000 were allocated to computer software and hardware and system development segment. Due to changes in market condition, the goodwill allocated to computer software and hardware and system development segment has therefore been reduced to its recoverable amount of US$7,985,000 through recognition of an impairment loss against goodwill of approximately US$3,845,000 during the year.

18. INTANGIBLE ASSETS

	Development Cost (Note (a)) US$'000	Trademarks (Note (b)) US$'000	Customer Relationship (Note (c)) US$'000	Total US$'000
COST				
At 1 July 2017	4,933	256	–	5,189
Exchange adjustments	78	–	–	78
Additions	240	6	–	246
At 30 June 2018 and 1 July 2018	5,251	262	–	5,513
Acquisition of subsidiaries (note 10)	–	–	14,707	14,707
Exchange adjustments	(132)	–	–	(132)
Additions	180	12	–	192
At 30 June 2019	5,299	274	14,707	20,280
AMORTISATION AND IMPAIRMENT				
At 1 July 2017	4,691	106	–	4,797
Exchange adjustments	72	–	–	72
Provided for the year	252	13	–	265
Impairment loss	236	140	–	376
At 30 June 2018 and 1 July 2018	5,251	259	–	5,510
Exchange adjustments	(123)	–	–	(123)
Provided for the year	43	2	1,381	1,426
Impairment loss	128	11	–	139
At 30 June 2019	5,299	272	1,381	6,952
CARRYING VALUES				
At 30 June 2019	–	2	13,326	13,328
At 30 June 2018	–	3	–	3

18. INTANGIBLE ASSETS *(Continued)*

Note:

(a) The amortisation period for development costs is two years.

At the end of each reporting period, the directors of the Company conducted review on the Group's development cost and determined that the recoverable amounts of the development costs under group's brand products segment were minimal. Impairment losses in respect of these development costs of approximately US$128,000 (2018: US$236,000) have been recognised in profit or loss for the year ended 30 June 2019.

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

At the end of each reporting period, the directors of the Company conducted review on the Group's trademarks and determined that the recoverable amounts of the trademarks under group's brand products segment were minimal. Impairment losses in respect of these trademarks amounted to approximately US$11,000 (2018: US$140,000) have been recognised in profit or loss for the year ended 30 June 2019.

(c) The customer relationship of the Group arose from the acquisition of Eternal Abundant Group during the year ended 30 June 2019. The useful lives of the customer relationship is 10 years.

19. INTEREST IN A JOINT VENTURE

	2019	2018
	US$'000	US$'000
Cost of investment in a joint venture – unlisted	**26**	26
Share of post-acquisition losses	**(26)**	(26)
	–	–

Note: As at 30 June 2019 and 30 June 2018, the Group had the following joint venture:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2019	2018	**2019**	2018	
XFX Technology LLC	United Arab Emirates	Paid up capital	**49%**	49%	**50%**	50%	Wholesale and distribution of computer components

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

	2019	2018
	US$'000	US$'000
The Group's share of loss and total comprehensive expense for the year	**–**	–

20. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

	2019	2018
	US$'000	US$'000
Deposit placed for a life insurance policy – due after one year	**505**	484

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 (2018: US$800,000). At inception of the life insurance policy, the Group is required to pay an upfront payment of US$400,000, including an insurance premium charge of US$24,000. The Group may request full surrender of the policy at any time and receive cash back based on the value of the life insurance policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus the insurance premium charge (the "**Cash Value**"). If such withdrawal is made between the 1st to 20th policy year, a pre-determined specified surrender charge would be imposed on the Group.

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

The directors considered that the possibility of terminating the policy during the 1st to 20th policy year was low and the expected life of the life insurance policy remained unchanged since the initial recognition, accordingly, the difference between the carrying amount of deposit placed for a life insurance policy as at 30 June 2019 and 30 June 2018 and the Cash Value of the life insurance policy is insignificant.

21. CONTINGENT CONSIDERATION

	2019
	US$'000
Profit guarantee – Non-current	**405**
Profit guarantee – Current	**673**
	1,078

Profit guarantee represents the guarantee provided by Harmonious Miles, as the vendor in favour of Talent Crest, as a purchaser in respect of the Acquisition (note 10), of which the audited consolidated profit after tax of Eternal Abundant Group as shown in the audited consolidated accounts of the Eternal Abundant Group for (i) the 12-month period commencing from the date of the Completion Date; (ii) the 12-month period commencing from the date falling on the first anniversary of the Completion Date; and (iii) the 12-month period commencing from the date falling on the second anniversary of the Completion Date shall not be less than HK$14,500,000, HK$15,500,000 and HK$16,500,000 respectively (the "Profit Guarantee"). In the event of non-fulfilment of the Profit Guarantee, Harmonious Miles and/or Mr. Wu Chung Man Ronnie (being the vendor's guarantor) shall compensate Talent Crest by 23.7 times of the aggregate amount of shortfall of the relevant guarantee period(s) in cash, and such compensation shall not exceed the sum of HK$220,800,000, being the amount of consideration for the Acquisition, in any event. Please refer to the announcements of the Company dated 9 July 2018, 13 July 2018 and 23 July 2018 for further information in relation to the Acquisition. The fair value of the contingent consideration of approximately RMB18,184,000 (equivalent to approximately US$2,684,000) at the Completion Date is estimated based on the valuation carried out by Greater China Appraisal Limited ("Greater China"), an independent professional valuer not connected with the Group.

After the Acquisition, fair value change of contingent consideration of approximately US$1,606,000 had been recognised during the year ended 30 June 2019.

22. INVENTORIES

	2019	2018
	US$'000	US$'000
Raw materials	**15,192**	47,749
Work in progress	**1,937**	2,835
Finished goods	**14,623**	49,901
	31,752	100,485

The Group has pledged inventories with carrying amount of approximately US$8,956,000 (30 June 2018: US$12,432,000) to secure general banking facilities granted to the Group.

23. TRADE AND OTHER RECEIVABLES

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

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

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

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

	Current	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 30 June 2019					
Weighted average expected loss rate	**0%**	**0%**	**0%**	**48%**	
Receivable amount (US$'000)	**9,954**	**4,679**	**1,293**	**4,949**	**20,875**
Loss allowance (US$'000)	**–**	**–**	**–**	**2,394**	**2,394**

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Trade and other receivables with carrying amount of approximately US$11,493,000 (30 June 2018: US$10,885,000) are pledged to secure general banking facilities granted to the Group.

24. LOAN RECEIVABLES

	2019 US$'000	2018 US$'000
Fixed-rate loan receivables	**10,043**	9,162

Unsecured loan receivables carry fixed-rate interest of 12% per annum (2018: 12% to 18% per annum) and with maturity ranging from three months to one year. All amounts of principal will be receivable on respective maturity dates.

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

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

25. CONTRACT ASSETS AND CONTRACT COSTS

The contract assets and contract costs of the Group are under the computer software and hardware and system development segment.

	2019 US$'000
Contract assets	**328**
Contract costs – pre-contract costs	**297**
Total contract assets and contract costs	**625**
Contract receivables (included in trade receivables)	**2,653**
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:	
– 2020	**1,672**
– 2021	**8**
	1,680

Significant changes in contract assets during the year:

	Contract assets 2019 US$'000
Increase due to operations in the year	**255**
Transfer of contract assets to receivables	**(747)**
Increase due to business combinations	**881**

26. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.01% to 0.35% (2018: 0.001% to 0.02%) per annum with an original maturity of three months or less.

As at 30 June 2019, the bank balances and cash of the Group denominated in Renminbi ("**RMB**") amounted to US$661,409 (2018: US$296,461). Conversion of RMB into foreign currencies subject to the PRC's Foreign Exchange Control Regulations.

27. TRADE AND OTHER PAYABLES

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

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

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

28. LOAN FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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

29. SECURED BANK BORROWINGS

	2019 US$'000	2018 US$'000
Trust receipt loans	**–**	5,977
Bank loans	**6,892**	7,357
	6,892	13,334
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
– Within one year	**6,892**	13,334

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings are 3.75% to 5.75% (2018: 3.25% to 5.20%) per annum.

29. SECURED BANK BORROWINGS *(Continued)*

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

Denominated in	Interest rate per annum	2019 US$'000	2018 US$'000
US$	London Interbank Offered Rate ("**LIBOR**") plus 2.00% (2018: 1.75%)	**5,000**	11,977
Canadian dollars ("**CAD**")	Canadian Prime Rate plus 1.75% (2018: 1.75%)	**1,309**	1,357
RMB	Fixed rate at 4.785%	**583**	–
		6,892	13,334

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Withholding tax on income derived in the PRC US$'000	Intangible assets US$'000	Total US$'000
At 1 July 2017	63	–	63
Charged to profit or loss	108	–	108
At 30 June 2018	171	–	171
Acquisition of subsidiaries	–	2,206	2,206
Charged to profit or loss	–	(207)	(207)
At 30 June 2019	171	1,999	2,170

At 30 June 2019, the Group has estimated tax losses of approximately US$8,115,000 (2018: US$4,344,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$2,895,000 (2018: US$2,298,000) and US$851,000 (2018: US$107,000) that will expire ranging from 2032 to 2039 (2018: 2032 to 2038) and 2030 to 2035 (2018: 2030 to 2035) respectively. Other losses may be carried forward indefinitely.

At 30 June 2019, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries of approximately US$3,262,000 (2018: US$4,557,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 30 June 2019, the Group has deductible temporary differences of US$1,000,000 (2018: US$1,000,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. SHARE CAPITAL

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

31. SHARE CAPITAL *(Continued)*

Notes:

(a) On 30 August 2017, the Company entered into subscription agreements with independent third parties pursuant to which the Company has conditionally agreed to allot and issue, and subscribers has conditionally agreed to subscribe, in total 43,000,000 ordinary shares of the Company at a subscription price of HK$0.60 per subscription share. The subscription shares have been agreed.

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

(c) 220,800,000 ordinary shares have been allotted and issued as the consideration of the acquisition of Eternal Abundant Group during the year. For details, please refer to note 10.

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

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

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

32. SHARE OPTIONS

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

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

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

Options granted must be taken up within 21 days from the date of grant, upon payment of HK$1 per option. An option may be exercised in accordance with the terms of the New Scheme and the Old Scheme at any time during the respective effective period of each scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the Stock Exchange for the 5 business days immediately preceding the date of grant, and the nominal value.

32. SHARE OPTIONS *(Continued)*

As disclosed in the announcement dated 12 December 2018, there were 80,140,000 share options granted to certain directors and consultants with an exercise price 0.46 per share pursuant to the New Scheme. Also, 19,500,000 share option were cancelled during the year ended 30 June 2019. Details of the share options outstanding under the New Scheme during the year ended 30 June 2019 to subscribe for the shares in the Company are as follows:

For the year ended 30 June 2019

	Positions held in the Company	Outstanding at 1 July 2018	Granted during the year	Cancelled during the year	Outstanding at 30 June 2019	Grant date	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK$
Mr. Zhang Sanhuo	Chairman and Executive Director	1,999,800	–	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	–	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		2,000,400	–	–	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
		–	5,430,000	–	5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		–	5,430,000	–	5,430,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
Mr. Chan Cheuk Ho	Executive Director	1,999,800	–	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		1,999,800	–	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		2,000,400	–	–	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
		–	6,630,000	–	6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		–	6,630,000	–	6,630,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
Sub-total for directors		12,000,000	24,120,000	–	36,120,000				
Consultants		–	28,010,000	(9,750,000)	18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2018 to 11.12.2028	0.46
		–	28,010,000	(9,750,000)	18,260,000	12.12.2018	12.12.2018 to 11.12.2028	12.12.2019 to 11.12.2028	0.46
		–	56,020,000	(19,500,000)	36,520,000				
Total		12,000,000	80,140,000	(19,500,000)	72,640,000				
Exercisable at the end of the year					38,319,200				
Weighted average exercise price (HK$)					0.52				

32. SHARE OPTIONS *(Continued)*

For the year ended 30 June 2018

	Positions held in the Company	Outstanding at 1 July 2017	Granted during the year	Cancelled during the year	Outstanding at 30 June 2018	Grant date	Validity period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK$
Mr. Zhang Sanhuo	Chairman and Executive Director	–	1,999,800	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		–	1,999,800	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		–	2,000,400	–	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
Mr. Chan Cheuk Ho	Executive Director	–	1,999,800	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2017 to 21.9.2027	0.83
		–	1,999,800	–	1,999,800	22.9.2017	22.9.2017 to 21.9.2027	22.9.2018 to 21.9.2027	0.83
		–	2,000,400	–	2,000,400	22.9.2017	22.9.2017 to 21.9.2027	22.9.2019 to 21.9.2027	0.83
Sub-total		–	12,000,000	–	12,000,000				
Exercisable at the end of the year					3,999,600				
Weighted average exercise price (HK$)					0.83				

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

	2019	2018
Weighted average share price exercise price (HK$)	**0.46**	0.83
Expected volatility	**78.82%**	47.02%
Expected life	**10 years**	10 years
Risk-free rate	**2.22%**	1.64%

Share options granted to consultants were incentives for providing business consultancy, liaison and advisory services to the Group in relation to the business development and investment opportunities that may be identified from time to time. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Black-Scholes pricing model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Black-Scholes pricing model does not necessarily provide a reliable measure of the fair value of the share options.

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

	2019 US$'000	2018 US$'000
Non-current Assets		
Property, plant and equipment	**1**	1
Investment in subsidiaries	**4,235**	6,406
Trademark	**2**	3
	4,238	6,410
Current Assets		
Other receivables	**13**	47
Loans to subsidiaries	**9,359**	11,153
Amounts due from subsidiaries	**38,594**	44,843
Bank balances and cash	**142**	320
	48,108	56,363
Current Liability		
Other payables	**213**	167
Net Current Assets	**47,895**	56,196
Net Assets	**52,133**	62,606
Capital and Reserves		
Share capital	**17,045**	14,214
Reserves	**35,088**	48,392
Total Equity	**52,133**	62,606

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

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

	Share premium US$'000	**Surplus account** US$'000	**Share options reserve** US$'000	**Retained profits (accumulated losses)** US$'000	**Total** US$'000
At 1 July 2017	27,083	9,036	–	2,311	38,430
Loss and total comprehensive expense for the year	–	–	–	(3,110)	(3,110)
Ordinary share issued	12,540	–	–	–	12,540
Recognition of equity-settled share based payments	–	–	532	–	532
At 30 June 2018 and 1 July 2018	39,623	9,036	532	(799)	48,392
Acquisition of subsidiaries	18,683	–	–	–	18,683
Loss and total comprehensive expense for the year	–	–	–	(33,892)	(33,892)
Recognition of equity-settled share based payments	–	–	1,905	–	1,905
Cancellation of share options	–	–	(441)	441	–
At 30 June 2019	58,306	9,036	1,996	(34,250)	35,088

34. MAJOR NON-CASH TRANSACTION

For the year ended 30 June 2019

Reference to deed of capitalisation dated 13 June 2019, and entered into between Pine Technology (BVI) Limited, the non-wholly owned subsidiary, and the non-controlling shareholder of Pine Technology (BVI) Limited (the "Non-Controlling Shareholder"), both parties agreed to capitalise the loan from Non-Controlling Shareholder amounted to US$5,250,000 into 150 shares of PINE Technology (BVI) Limited.

For the year ended 30 June 2018

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

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

35. 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:

	2019	2018
	US$'000	US$'000
Within one year	**1,090**	900
In the second to fifth year inclusive	**353**	424
	1,443	1,324

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

Leases are negotiated for terms ranging from one to six years (2018: one to six years) at initial and rentals are fixed for the period of the lease.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follow:

Name of subsidiary	Place of incorporation or operation	Issued and paid-up capital	Percentage of ownership interest/voting power (Note (a)) 2019 %	2018 %	Principal activities
Advance Always Limited	BVI	US$1	**85**	85	Investment holding
All Advance Limited	BVI	US$1	**85**	85	Investment holding
Best Standard Investment Limited	Hong Kong	HK$10,000	**100**	100	Investment holding
City Moon Limited	Samoa	US$100	**100**	100	Investment holding
Colour Stream Holdings Limited	Samoa	US$100	**100**	100	Investment holding
Eastcom, Inc.	The United States	US$7,001,100	**85**	85	Wholesale and distribution of computer components
Elite View Development Ltd.	Hong Kong	HK$1	**85**	85	Provision of services to group companies
Lizan Development Co., Limited	Hong Kong	HK$10,000	**100**	100	Investment holding
Pan Eagle Limited	BVI	US$100	**85**	85	Investment holding
Pine Group Hong Kong Limited	Hong Kong	HK$2	**85**	85	Investment holding
Pine Group Limited	BVI	US$10,000 Common shares and US$2,995,729 Class A shares	**85**	85	Investment holding
Pine Technology (Macao Commercial Offshore) Ltd.	Macao	Patacas 100,000	**85**	85	Wholesale and distribution of computer components
Pine Technology Limited	Hong Kong	HK$3	**85**	85	Wholesale and distribution of computer components
Pine Technology (BVI) Limited	BVI	US$11,000	**85**	85	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or operation	Issued and paid-up capital	Percentage of ownership interest/voting power (Note (a)) 2019 %	2018 %	Principal activities
Pineview Industries Limited (Note (b))	Hong Kong	HK$1,000 Ordinary shares and HK$2,400,000 Non-voting 5% deferred shares	**85**	85	Provision of production and other facilities to group companies
Rong Xin Finance Limited	Hong Kong	HK$10,000	**100**	100	Money Lending Business
Samtack Inc.	Canada	CAD5 Common shares and CAD2,041,250 Class A shares	**85**	85	Wholesale and distribution of computer components
XFX Creation Inc.	BVI	US$1	**85**	85	Trademarks holding
東莞嘉耀電子有限公司 (Note (c))	PRC	RMB26,265,224 contributed capital	**85**	85	Manufacturing of electronics and computer digital audio device
Talent Crest Limited	Samoa	US$100	**100**	100	Investment holding
Eternal Abundant Limited	BVI	RMB63,831	**100**	–	Investment holding
Soaring Eagle Technology Limited	BVI	RMB2,191,576	**60**	–	Investment holding
China UIP Information Technology Co., Limited	PRC	RMB14,898,780	**60**	–	Computer software and hardware and system development

Notes:

(a) The Company directly holds 85% (2018: 85%) of equity interest in Pine Technology (BVI) Limited and 100% (2018: 100%) of equity interest in Colour Stream Holdings Limited. The interests of all other companies are indirectly held by the Company.

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

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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 2019 and 30 June 2018 or at any time during the year.

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

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

Name	**Pine Technology (BVI) Limited**	**Soaring Eagle Technology Limited**
Principal place of business/country of incorporation	BVI/BVI	BVI/BVI
% of ownership interests/voting rights held by NCI	85%/15%	60%/40%

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

	Pine Technology (BVI) Limited		Soaring Eagle Technology Limited
	2019	2018	**2019**
	US$'000	US$'000	**US$'000**
As at 30 June			
Current assets	**54,453**	118,408	**4,178**
Non-current assets	**655**	651	**14,056**
Current liabilities	**(48,889)**	(112,009)	**(3,081)**
Non-current liabilities	**(171)**	(171)	**(1,999)**
	6,048	6,879	**13,154**
Accumulated NCI	**906**	1,031	**5,262**
Year ended 30 June			
Revenue and other income	**99,202**	282,601	**4,465**
(Loss)/profit for the year	**(35,530)**	(7,023)	**1,493**
Total comprehensive (expense)/income for the year	**(35,830)**	(6,870)	**1,497**
(Loss)/profit attributable to NCI	**(5,329)**	(1,054)	**598**
Net cash inflow/(outflow) from operating activities	**2,279**	1,645	**(1,137)**
Net cash (outflow)/inflow from investing activities	**(299)**	421	**(71)**
Net cash (outflow)/inflow from financing activities	**(1,534)**	(3,594)	**1,285**
Net cash inflow/(outflow)	**446**	(1,528)	**77**

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Loans from directors US$'000	Amount due to a joint venture US$'000	Loan from a non-controlling shareholder of a subsidiary US$'000	Obligations under finance leases US$'000	Bank borrowing US$'000	Total US$'000
At 1 July 2017	–	27	7,511	20	16,657	24,215
Change in cash flows	(35)	374	–	(20)	(3,913)	(3,594)
Interest expenses	35	–	–	–	590	625
Non-cash transaction (note 34)	–	(401)	–	–	–	(401)
At 30 June 2018 and 1 July 2018	–	–	7,511	–	13,334	20,845
Change in cash flows	(26)	–	–	–	(6,951)	(6,951)
Interest expenses	26	–	–	–	509	509
Non-cash transaction (note 34)	–	–	(5,250)	–	–	(5,250)
At 30 June 2019	–	–	2,261	–	6,892	9,153

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 September 2019.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 30 June				
	2015	2016	2017	2018	**2019**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Revenue	169,576	155,488	230,914	282,235	**167,070**
Cost of sales	(161,066)	(148,857)	(220,352)	(273,124)	**(183,514)**
Gross profit	8,510	6,631	10,562	9,111	**(16,444)**
Other income	279	339	102	588	**239**
Selling and distribution expenses	(4,138)	(3,418)	(3,399)	(3,756)	**(3,198)**
General and administrative expenses	(10,908)	(9,658)	(10,440)	(12,540)	**(14,712)**
Other gains and losses	1,365	(102)	(1,201)	(1,626)	**(9,154)**
Finance costs	(874)	(741)	(888)	(625)	**(509)**
Share of result of a joint venture	–	(26)	–	–	**–**
Profit (loss) before tax	(5,766)	(6,975)	(5,264)	(8,848)	**(43,778)**
Income tax (expense) credit	(801)	613	254	(441)	**279**
Profit (loss) for the year	(6,567)	(6,362)	(5,010)	(9,289)	**(43,499)**

	As at 30 June				
	2015	2016	2017	2018	**2019**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS, LIABILITIES AND EQUITY					
Total assets	119,294	111,190	113,617	132,394	**92,905**
Total liabilities	(46,635)	(45,700)	(57,310)	(69,788)	**(40,772)**
	72,659	65,490	56,307	62,606	**52,133**
Equity attributable to owners of the Company	72,659	65,490	54,245	61,575	**46,000**