
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in PINE Technology Holdings Limited, you should at once hand this Composite Document and the accompanying WHITE Form of Share Offer Acceptance and Transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

Sage Global Holdings Limited

(Incorporated in the British Virgin Islands
with limited liability)



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

**COMPOSITE DOCUMENT IN RELATION TO
MANDATORY UNCONDITIONAL CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF SAGE GLOBAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF PINE TECHNOLOGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SAGE GLOBAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
PINE TECHNOLOGY HOLDINGS LIMITED**

Financial advisers to
Sage Global Holdings Limited



Financial adviser to
PINE Technology Holdings Limited



Independent Financial adviser to the Independent Board Committee



Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document. This Composite Document is jointly issued by the Company and the Offeror.

A letter from CCBI containing, among other things, the principal terms of the Offers are set out on pages 8 to 17 of this Composite Document.

A letter from the Board is set out on pages 18 to 23 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders and the Optionholder containing its recommendation in respect of the Offers is set out on pages 24 to 25 of this Composite Document.

A letter from Red Sun Capital to the Independent Board Committee containing its opinion on the Offers and the principal factors considered by it in arriving at its advice is set out on pages 26 to 47 of this Composite Document.

The procedures for acceptance and settlement and acceptance period of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. The WHITE Form of Share Offer Acceptance and Transfer must be received by the Registrar at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and the YELLOW Form of Option Offer Acceptance must be received by the Company at Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 28 June 2017, or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important notice" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and each Overseas Optionholder wishing to accept the relevant Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders and Overseas Optionholder in respect of the acceptance of the Offers (as applicable) in such jurisdiction. Each Overseas Shareholder and Overseas Optionholder is advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.pinegroup.com> as long as the Offers remain open.

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all times and dates contained in this Composite Document and the Forms of Acceptance refer to Hong Kong times and dates.

2017

Despatch date of this Composite Document and
the accompanying Forms of Acceptance and
the Offers open for acceptance (*Note 1*) Wednesday, 7 June

Latest time and date for acceptance of the Offers
(*Notes 2 & 4*) by 4:00 p.m. on
Wednesday, 28 June

Closing Date (*Notes 1, 2 & 4*) Wednesday, 28 June

Announcement of the results of the Offers
(or its extension or revision, if any) to be published
on the website of the Stock Exchange (*Note 2*) by 7:00 p.m. on
Wednesday, 28 June

Latest date of posting of remittances in respect of
valid acceptances received under the Offers (*Notes 3 & 4*) Friday, 7 July

Notes:

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from this date until the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “5. Right of withdrawal” in Appendix I to this Composite Document.
2. The latest time for acceptance of the Offers is 4:00 p.m. on the Closing Date, being 21 days from the date of this Composite Document, unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. In accordance with the Takeovers Code, an announcement will be jointly issued by the Company and the Offeror on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised or extended. In the event that the Offeror decides to extend the Offers, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given, before the Offers are closed, to those Independent Shareholders and Optionholder who have not accepted the Offers.
3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Offers) payable for the Offer Shares or the Options tendered under the Offers will be posted to the Accepting Shareholders or the Optionholder by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days of the date on which the duly completed and valid Forms of Acceptance and the relevant documents of title in respect of such acceptances are received by the Registrar (in case of the Share Offer) or the Company (in case of the Option Offer) to render each such acceptances complete and valid.

EXPECTED TIMETABLE

4. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers or the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDER

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The making and the implementation of the Share Offer and the Option Offer to the Overseas Shareholders and Overseas Optionholder may be subject to the laws of the relevant overseas jurisdictions in which such Overseas Shareholders and Overseas Optionholder are located. Such Overseas Shareholders and Overseas Optionholder should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions. Overseas Shareholders and Overseas Optionholder who wish to accept the Offers should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such Accepting Shareholders and Optionholder in such jurisdiction). For further details, please refer to the section headed “7. Overseas Shareholders and Overseas Optionholder” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“Accepting Shareholders”	the Independent Shareholders who accept the Share Offer
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Alliance Express” or “First Vendor”	Alliance Express Group Limited, a company incorporated in the BVI with limited liability, which is wholly and beneficially owned by the Second Vendor and directly held 196,500,000 Shares as at the date of the Sale and Purchase Agreement
“Amended and Restated Sale and Purchase Agreement”	the amendment and restatement agreement dated 1 June 2017 entered into among the offeror, the Share Vendors and the Guarantor to vary and restate the Sale and Purchase Agreement and vary certain terms and conditions of the Sale and Purchase Agreements
“Board”	the board of Directors
“Business Day”	any day (other than Saturday and Sunday and public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. to 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCBI”	CCB International Capital Limited, a corporation licensed under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Offeror in respect of the Offers

DEFINITIONS

“CCBIS”	CCB International Securities Limited, a corporation licensed under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts) and Type 4 (advising on securities) regulated activities under the SFO
“Closing Date”	28 June 2017, being the closing date of the Offers which is 21 days from the date on which this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code)
“Company”	PINE Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (Stock Code: 1079)
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company in respect of the Offers
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$351,516,591 payable by the Offeror to the Shares Vendors pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest or deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	the facility agreement of HK\$360 million granted by CCBIS to the Offeror, which is secured, <i>inter alia</i> , by charge of Shares owned by and to be acquired by the Offeror in favour of CCBIS, to finance its financial obligations under the Sale and Purchase Agreement and the Offers

DEFINITIONS

“Fifth Vendor”	Ms. Chiu Man Wah, who directly held 67,944,591 Shares as at the date of the Sale and Purchase Agreement
“First Joint Announcement”	the announcement dated 24 March 2017 jointly issued by the Offeror and the Company in relation to, among other things, the Offers
“Form(s) of Acceptance”	the Form of Share Offer Acceptance and Transfer and/or the Form of Option Offer Acceptance, as the context may indicate
“Form of Option Offer Acceptance”	the YELLOW form of acceptance and cancellation of the Share Options in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance and Transfer”	the WHITE form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
“Fourth Vendor”	Mr. Chiu Herbert Hang Tat, a non-executive Director who directly held 66,051,465 Shares as at the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor” or “Mr. Zhang”	Mr. Zhang Sanhuo (張三貨先生), being the sole beneficial owner of the Offeror
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising three independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming, which has been established to advise the Independent Shareholders on the Offers
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offers

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) the Shares Vendors, Simply Perfect Group Limited and parties acting or presumed to be acting in concert with any of them; and (ii) the Offeror, the Guarantor and parties acting in concert with any of them
“Joint Announcements”	the First Joint Announcement and the Second Joint Announcement
“Last Trading Day”	22 March 2017, being the last full trading day for the Shares prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	5 June 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM Board of the Stock Exchange
“MOU Announcement”	the announcement of the Company dated 18 January 2017 in relation to the memorandum of understanding dated 17 January 2017 (as amended and supplemented on 1 March 2017) entered into among the Shares Vendors and the Offeror in relation to the sale and purchase of the Sale Shares, which was issued pursuant to Rule 3.7 of the Takeovers Code
“Offer Period”	has the meaning ascribed to it in the Takeovers Code
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned by the Offeror and parties acting in concert with it
“Offeror”	Sage Global Holdings Limited, a company incorporated in the BVI with limited liability
“Offers”	collectively, the Share Offer and the Option Offer

DEFINITIONS

“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Offeror
“Option Offer”	the mandatory unconditional cash offer being made by CCBI for and on behalf of the Offeror to cancel all the outstanding Share Options on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Option Offer Price”	the price of HK\$0.444 per Share Option at which the Option Offer is being made in cash
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholder(s)”	holder(s) of the Share Option(s) whose address(es) as shown on the register of optionholder of the Company are outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company are outside Hong Kong
“Registrar”	Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for receiving and processing acceptances of the Share Offer
“Relevant Period”	the period from 18 July 2016, being six months prior to 18 January 2017 (the date of the MOU Announcement and the commencement of the Offer Period) and ending on and including the Latest Practicable Date
“relevant securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 March 2017 (as supplemented by the supplemental sale and purchase agreement dated 1 June 2017) and entered into among the Shares Vendors, the Offeror and the Guarantor in relation to the sale and purchase of the Sale Shares

DEFINITIONS

“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Sale and Purchase Completion Date”	5 June 2017, the date on which Sale and Purchase Completion took place
“Sale Shares”	a total of 539,964,042 Shares acquired by the Offeror from the Shares Vendors pursuant to the terms of the Sale and Purchase Agreement, representing approximately 58.59% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and as at the Latest Practicable Date
“Second Joint Announcement”	the update announcement dated 1 June 2017 jointly issued by the Company and the Offeror in respect of the Amended and Restated Sale and Purchase Agreement
“Second Vendor”	Mr. Chiu Hang Tai, an executive Director who directly held 19,902,465 Shares as at the date of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer being made by CCBI for and on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Share Offer Price”	the price of HK\$0.651 per Offer Share at which the Share Offer is being made
“Share Option(s)”	the share option(s) granted by the Company under its share option scheme adopted on 16 April 2003 or the share option scheme adopted by the Company on 22 November 2013 (as the case may be)
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Shares Vendors”	collectively the First Vendor, the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor
“Sixth Vendor”	Ms. Wong Wai Ying, who directly held 14,675,968 Shares as at the date of the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers in force from time to time
“Third Vendor”	Mr. Chiu Samson Hang Chin, an executive Director who directly held 174,889,563 Shares as at the date of the Sale and Purchase Agreement
“Veda Capital”	Veda Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Company in respect of the Offers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“U.S.”	the United States of America
“US\$”	US dollars, the lawful currency of the U.S.
“%”	per cent.



7 June 2017

To the Independent Shareholders and the Optionholder

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF SAGE GLOBAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF PINE TECHNOLOGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SAGE GLOBAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
PINE TECHNOLOGY HOLDINGS LIMITED**

1. INTRODUCTION

Reference is made to the Joint Announcements. On 22 March 2017, the Shares Vendors, the Offeror and the Guarantor entered into the Sale and Purchase Agreement (as supplemented by the Amended and Restated Sale and Purchase Agreement dated 1 June 2017), pursuant to which the Shares Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 539,964,042 Shares (representing approximately 58.59% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement), free from all Encumbrances together with all rights attaching thereto as at the Sale and Purchase Completion Date, at an aggregate consideration of HK\$351,516,591 (equivalent to HK\$0.651 per Sale Share).

The Sale and Purchase Completion took place on 5 June 2017. Prior to the Sale and Purchase Completion, the Offeror and parties acting in concert with it did not have any interest in the Shares, convertible securities, options, warrants or derivatives in respect of any Shares other than the Sale Shares. Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it owned a total of 539,964,042 Shares (representing approximately 58.59% of the issued share capital of the Company as at the Sale and Purchase Completion Date). Accordingly, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to make a comparable offer for all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code.

LETTER FROM CCBI

CCBI is making the Offers for and on behalf of the Offeror. This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offers, the information on the Offeror and its intentions in relation to the Company. Further details of the Offers are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

2. THE OFFERS

For and on behalf of the Offeror, we hereby make mandatory unconditional cash offers (i) to acquire all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it); and (ii) to cancel all the outstanding Share Options on the following terms:

The Share Offer

For each Offer Share HK\$0.651 in cash

The Share Offer Price per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offers shall be fully paid and free from all Encumbrances together with all rights attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offers are made, being the date of despatch of this Composite Document.

The Option Offer

For cancellation of each Share Option HK\$0.444 in cash

The Option Offer Price per Share Option under the Option Offer represents the difference between the Share Offer Price and the exercise price of HK\$0.207 of the Share Options.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the Latest Practicable Date, there were Share Options outstanding which entitle the holders thereof to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share. Pursuant to the share option scheme adopted by the Company on 16 April 2003, the Optionholder is entitled to exercise his Share Options to the extent not tendered for cancellation under the Option Offer up to the Closing Date (after which the Share Options will lapse).

Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date.

LETTER FROM CCBI

Comparisons of value

The Share Offer Price of HK\$0.651 per Offer Share represents:

- (i) a premium of approximately 0.15% over the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.26% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 5.65% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of HK\$0.69;
- (iv) a discount of approximately 6.06% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of HK\$0.693;
- (v) a discount of approximately 7.00% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of HK\$0.70;
- (vi) a premium of approximately 25.19% over the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the last Business Day immediately preceding the date of the MOU Announcement; and
- (vii) a premium of approximately 30.72% over the unaudited consolidated net asset value of approximately HK\$0.498 per Share as at 31 December 2016 calculated based on the unaudited consolidated net asset value of the Group as at 31 December 2016 of approximately HK\$458,611,213 and 921,584,783 Shares in issue as at 31 December 2016.

Highest and lowest Share price

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.77 per Share on 1 February 2017 and 6 February 2017 and HK\$0.3 per Share on 2 September 2016, respectively.

Value of the Offers

As at the Latest Practicable Date, there were 921,584,783 Shares in issue. On the basis of the Share Offer Price of HK\$0.651 per Offer Share and assuming that no outstanding Share Options are exercised prior to the Closing Date, the entire issued share capital of the Company is valued at approximately HK\$599,951,694. As the Offeror and parties acting in concert with it are interested in 539,964,042 Shares immediately after Sale

LETTER FROM CCBI

and Purchase Completion, 381,620,741 Shares will be subject to the Share Offer. In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be approximately HK\$248,435,102.

As at the Latest Practicable Date, there were Share Options outstanding which entitle the holders thereof to subscribe for 1,000,000 new Shares. Assuming none of the Share Options is exercised prior to the Closing Date, all the outstanding Share Options will be subject to the Option Offer and the Option Offer will be valued at HK\$444,000 based on the Option Offer Price. Based on the above, the aggregate value of the Offers will be approximately HK\$248,879,102. Assuming all the outstanding Share Options are exercised by the Optionholder prior to the Closing Date, 382,620,741 Shares will be subject to the Share Offer and the Share Offer will be valued at approximately HK\$249,086,102.

Conditions of the Offers

The Offers are unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number or any other conditions.

Settlement of the Offers

Settlement of the consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed and valid Forms of Acceptance and the relevant documents of title in respect of such acceptances are received by the Registrar (in case of the Share Offer) or the Company (in case of the Option Offer) to render each such acceptances complete and valid.

Effect of accepting the Offers

Acceptances of the Share Offer will be deemed to constitute a warranty by the Accepting Shareholders that the Shares are sold free from all Encumbrances and together with all rights attaching thereto on or after the date on which the Offers are made, being the date of despatch of this Composite Document.

Acceptances of the Option Offer will be deemed to constitute a warranty by the Optionholder who accept the Option Offer that the Share Options are surrendered and renounced free from all Encumbrances together with all rights attaching thereto on or after the date on which the Offers are made.

Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, except in the circumstances set out in the section headed “5. Right of withdrawal” in Appendix I to this Composite Document.

LETTER FROM CCBI

Stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Accepting Shareholder at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Accepting Shareholder. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the Option Offer.

Tax implications

Independent Shareholders and Optionholder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Further terms and procedures for acceptance of the Offers

For further details on the terms and procedures for acceptance of the Offers, please refer to Appendix I to this Composite Document and the accompanying Forms of Acceptance.

3. CONFIRMATION OF FINANCIAL RESOURCES

The maximum consideration payable under the Offers amounts to HK\$249,086,102. The Offeror intends to finance and satisfy the consideration payable under the Offers by the Facility.

CCBI, being one of the financial advisers to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptance of the Offers.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) relating to the Facility will depend to any significant extent on the business of the Company.

LETTER FROM CCBI

4. INFORMATION OF THE GROUP

Information on the Group is set out in the section headed “Information of the Group” in the letter from the Board as contained in the Composite Document.

5. INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability and is wholly owned by South Pearl Ventures Limited, which is in turn wholly owned by the Guarantor. Mr. Zhang is also the sole director of the Offeror and South Pearl Ventures Limited. The biographical details of Mr. Zhang is set out in the paragraph headed “Proposed change of Board Composition” below.

The Offeror, its ultimate beneficial owner and parties acting in concert with any of them are third parties independent of and not connected with the Company and its connected persons.

6. INTENTIONS OF THE OFFEROR REGARDING THE GROUP

It is the intention of the Offeror to continue with the Group’s existing principal business. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to increase the value of the Group.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for the proposed changes to the composition of the Board as detailed below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

Notwithstanding that the Group was loss-making in the previous two years, the Group will continue to seek business opportunities to strengthen its existing business. The Offeror believes that there will be continued business development in the Group under the management of the new Board.

As at the Latest Practicable Date, the Offeror and/or the Company had not entered into any agreement, arrangement, understanding or negotiation to downsize or dispose of the Company’s existing business or material operating assets.

LETTER FROM CCBI

7. PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of seven Directors, comprising two executive Directors, namely Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin; two non-executive Directors, namely Mr. Chiu Herbert Hang Tat and Mr. Li Chi Chung; and three independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming.

It is expected that the Offeror will require all the current Directors, except for Mr. Chiu Hang Tai, to resign as Directors with effect on the earliest date as permitted under the Takeovers Code for such resignations to take effect (i.e. the Closing Date). Mr. Chiu Hang Tai will remain as an executive Director and all the terms and conditions of his existing employment contract (including duration of the contract) remain unchanged. The Offeror believes his continued role as an executive Director would ensure the Group to operate normally and smoothly following the change of Board composition and the Board will benefit from his rich experience in the business and operation of the Group. The Offeror intends to nominate new Directors to the Board and the appointment of new Directors will take effect no earlier than such date as permitted under the Takeovers Code (i.e. after the despatch of this Composite Document). In considering the nomination of new Directors, the Offeror would review the qualification, experience and expertise of the candidates to ensure they are eligible as Directors to manage the Group's existing business. The Offeror intends to nominate those who have rich experience and knowledge in corporate and/or financial management to oversee the affairs of the Group and manage the senior management personnel so as to leverage on their expertise and experience to improve the Group's operation. With the continued involvement of Mr. Chiu Hang Tai as an executive Director and the senior management in operation as well as the strong ability of the new Directors in management, the Offeror is confident that the new Board would be able to promote the development of the Group's business in future. As at the Latest Practicable Date, the Offeror intended to nominate (i) Mr. Zhang Sanhuo; and (ii) Mr. Chan Cheuk Ho ("**Mr. Chan**") as new executive Directors.

The biographical details of the aforesaid nominated Directors are set out below:

Mr. Zhang Sanhuo, aged 51, is the chairman of the board, an executive director, the chairman of the nomination committee and a member of the remuneration committee of North Asia Resources Holdings Limited, a company the shares of which are listed on the Main Board (stock code: 61). Mr. Zhang obtained a bachelor's degree in accounting from 山西財經大學 (Shanxi University of Finance & Economics*) (formerly known as 山西財經學院 (Shanxi Institute of Finance & Economics*)) and 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.

Mr. Chan Cheuk Ho, aged 50, 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 twenty years, Mr.

LETTER FROM CCBI

Chan was the finance director, financial controller and company secretary of several companies listed on the Main Board. He is currently an independent non-executive director of Eagle Nice (International) Holdings Limited, a company the shares of which are listed on the Main Board (stock code: 2368).

The Offeror is identifying suitable candidates to act as independent non-executive Directors. Any changes to the composition of the Board will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules.

8. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers.

The sole director of the Offeror and persons who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

9. COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offers after the close of the Offers.

10. GENERAL

To ensure equality of treatment of all Independent Shareholders and Optionholder, those Independent Shareholders and Optionholder who hold the Shares or Share Options as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares and Share Options whose investments are registered in nominee names to accept the Offers, it is essential that they provide instructions to their nominees of their intentions with regard to the Offers. The attention of Overseas Shareholders and Overseas Optionholder is drawn to the paragraph headed "7. Overseas Shareholders and Overseas Optionholder" in Appendix I to this Composite Document.

To accept the Share Offer, Independent Shareholders should complete and sign the accompanying Form of Share Offer Acceptance and Transfer in accordance with the instructions printed thereon. The Form of Share Offer Acceptance and Transfer forms part of the terms of the

LETTER FROM CCBI

Share Offer. The duly completed Form of Share Offer Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "PINE Technology Holdings Limited – Share Offer" to be received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

To accept the Option Offer, the Optionholder should complete and sign the accompanying Form of Option Offer Acceptance in accordance with the instructions printed thereon. The Form of Option Offer Acceptance forms part of the terms of the Option Offer. The duly completed Form of Option Offer Acceptance, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) stating the Share Options in respect of which you intend to accept the Option Offer, must be sent by post or by hand to the Company at Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong in an envelope marked "PINE Technology Holdings Limited – Option Offer" to be received by the Company by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgement of receipt of any Forms of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares and the Share Options will be given. All documents and remittances will be sent to the Independent Shareholders and Optionholder by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of and register of Optionholder of the Company, or, in case of joint registered Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Forms of Acceptance completed, returned and received by the Registrar in respect of the Share Offer and the Company in respect of the Option Offer. None of the Offeror, the Company and parties acting in concert with any of them, CCBI, Optima Capital, Veda Capital, Red Sun Capital, the Registrar or any of their respective directors, officers, advisers, agents or any persons involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

LETTER FROM CCBI

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board on pages 18 to 23, the letter from the Independent Board Committee on pages 24 to 25 and the letter from Red Sun Capital on pages 26 to 47 of this Composite Document before reaching a decision as to whether or not to accept the Offers.

Yours faithfully,
for and on behalf of
CCB International Capital Limited
Jialu Li
Managing Director
Head of Corporate Advisory Team



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

Executive Directors:

Mr. Chiu Hang Tai (*Chairman*)

Mr. Chiu Samson Hang Chin

Non-executive Directors

Mr. Chiu Herbert Hang Tat

Mr. Li Chi Chung

Independent non-executive Directors:

Mr. So Stephen Hon Cheung

Dr. Huang Zhijian

Dr. Chung Wai Ming

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

7 June 2017

To the Independent Shareholders and the Optionholder,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF SAGE GLOBAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF PINE TECHNOLOGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SAGE GLOBAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
PINE TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcements and the circular of the Company dated 9 May 2017.

* *For identification purposes only*

LETTER FROM THE BOARD

The Company and the Offeror jointly announced on 24 March 2017 that, among other things, on 22 March 2017 (after trading hours), the Shares Vendors, the Offeror and the Guarantor entered into the Sale and Purchase Agreement (as supplemented by the Amended and Restated Sale and Purchase Agreement dated 1 June 2017), pursuant to which the Shares Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase 539,964,042 Shares (representing approximately 58.59% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement), free from all Encumbrances together with all rights attaching thereto as at the Sale and Purchase Completion Date, at an aggregate consideration of HK\$351,516,591 (equivalent to HK\$0.651 per Sale Share).

The Sale and Purchase Completion took place on 5 June 2017. Prior to the Sale and Purchase Completion, the Offeror and parties acting in concert with it did not have any interest in the Shares, convertible securities, options, warrants or derivatives in respect of any Shares other than the Sale Shares. Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it owned a total of 539,964,042 Shares (representing approximately 58.59% of the issued share capital of the Company as at the Sale and Purchase Completion Date). Accordingly, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to make a comparable offer for all the outstanding Share Options pursuant to Rule 13 of the Takeovers Code.

The Independent Board Committee comprising, all the independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Nai Ming, has been established to make a recommendation to the Independent Shareholders and Optionholder as to whether the Offers are, or are not, fair and reasonable and as to their acceptances. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee in this regard.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Offeror, the Offers and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders and the Optionholder in relation to the Offers; and (iii) a letter of advice from Red Sun Capital to the Independent Board Committee, the Independent Shareholders and the Optionholder in respect of the terms of the Offers and as to acceptance of the Offers.

THE OFFERS

The following information about the Offers are based on the letter from CCBI contained in this Composite Document. The Offer is being made by CCBI, being one of the financial advisers to the Offeror, for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in this Composite Document and in the accompanying Forms of Acceptance on the following basis:

The Share Offer

For each Offer Share. HK\$0.651 in cash

LETTER FROM THE BOARD

The Share Offer Price per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances together with all rights attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offers are made, being the date of despatch of this Composite Document.

The Option Offer

For cancellation of each Share Option HK\$0.444 in cash

The Option Offer Price per Share Option under the Option Offer represents the difference between the Share Offer Price and the exercise price of HK\$0.207 of the Share Options.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced. As at the Latest Practicable Date, there were Share Options outstanding which were granted by the Company under the share option scheme adopted by the Company on 16 April 2003 and entitle the holder thereof to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share. Pursuant to the share option schemes adopted by the Company on 16 April 2003, the Optionholder will be entitled to exercise his Share Options to the extent not tendered for cancellation under the Option Offer up to the Closing Date, after which the Share Options will lapse.

Save as disclosed above, the Company has no other relevant securities in issue as at the Latest Practicable Date.

Further details of the Offers

Further details of the Offers including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from CCBI” and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

The Company is principally engaged in investment holding. The Group is principally engaged in the design, manufacturing and distribution of personal computer based products and distribution of a wide range of personal computer and non-personal computer products through its extensive distribution network.

LETTER FROM THE BOARD

Shareholding structure of the Company

The following table sets out the shareholding structures of the Company (i) immediately prior to the Sale and Purchase Completion; (ii) immediately after the Sale and Purchase Completion but before the Offers are made (assuming that none of the Share Options have been exercised) and as at the Latest Practicable Date; and (iii) immediately after the Sale and Purchase Completion but before the Offers are made (assuming that all of the Share Options which entitle the Optionholder thereof to subscribe for 1,000,000 new Shares have been exercised by the Optionholder) and as at the Latest Practicable Date:

	(i) Immediately prior to the Sale and Purchase Completion		(ii) Immediately after Sale and Purchase Completion but before the Offers are made (assuming that none of the Share Options have been exercised) and as at the Latest Practicable Date		(iii) Immediately after Sale and Purchase Completion but before the Offers are made (assuming that all of the Share Options which entitle the holders thereof to subscribe for 1,000,000 new Shares have been exercised by the Optionholder) and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror and parties acting in concert with it	–	–	539,964,042	58.59	539,964,042	58.53
Shares Vendors						
The First Vendor (<i>Note i</i>)	196,500,000	21.32	–	–	–	–
The Second Vendor (<i>Notes i, ii and v</i>)	19,902,465	2.16	–	–	–	–
The Third Vendor (<i>Notes iii and v</i>)	174,889,563	18.98	–	–	–	–
The Fourth Vendor (<i>Notes iv and v</i>)	66,051,465	7.17	–	–	–	–
The Fifth Vendor (<i>Note v</i>)	67,944,591	7.37	–	–	–	–
The Sixth Vendor (<i>Note v</i>)	14,675,958	1.59	–	–	–	–
Sub-total	539,964,042	58.59	539,964,042	58.59	539,964,042	58.53
Independent Shareholders	381,620,741	41.41	381,620,741	41.41	382,620,741	41.47
Total	<u>921,584,783</u>	<u>100.00</u>	<u>921,584,783</u>	<u>100.00</u>	<u>922,584,783</u>	<u>100.00</u>

Notes:

- (i) The First Vendor is a company incorporated in the BVI and is wholly and beneficially owned by Mr. Chiu Hang Tai, who is also the Second Vendor, the sole director of the First Vendor and an executive Director. Mr. Chiu Hang Tai was deemed to be interested in all the Shares in which the First Vendor was interested by virtue of the SFO.
- (ii) The Second Vendor is an executive Director.

LETTER FROM THE BOARD

- (iii) The Third Vendor is an executive Director.
- (iv) The Fourth Vendor is a non-executive Director.
- (v) The Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor are siblings and the Sixth Vendor is the mother of the Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

INFORMATION OF THE OFFEROR AND INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraphs headed “6. Intentions of the Offeror regarding the Group” and “7. Proposed change of Board composition” in the “Letter from CCBI” of this Composite Document for detailed information on the Offeror’s intention on the business and management of the Group. The Directors are aware of the intentions of the Offeror in respect of the Group, its employees and the proposed appointment of new Directors after the despatch of this Composite Document.

The Directors, who will resign after the close of the Offers (except Mr. Chiu Hang Tai who will remain as a Director), are willing to render reasonable co-operation with the Offeror during the Offer Period which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from CCBI”, it is the intention of the Offeror to maintain the listing of the Shares on the Stock Exchange after the close of the Offers, and the sole director of the Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

In the event that after the completion of the Offers, the public float of the Company falls below 25%, the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offers to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

LETTER FROM THE BOARD

RECOMMENDATIONS

Independent Shareholders and Optionholder are advised to read the recommendation of the Independent Board Committee set out in “Letter from the Independent Board Committee” and the advice of the Independent Financial Adviser set out in “Letter from Red Sun Capital” contained in this Composite Document before deciding on the actions to be taken on the Offers.

ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from CCBI” and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.

PINE 
PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1079)

7 June 2017

To the Independent Shareholders and the Optionholder,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF SAGE GLOBAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF PINE TECHNOLOGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SAGE GLOBAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
PINE TECHNOLOGY HOLDINGS LIMITED**

We refer to the composite offer and response document dated 7 June 2017 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

Details of the Offers are set out in the “Letter from CCBI” on pages 8 to 17 and the “Letter from the Board” on pages 18 to 23 of this Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders and the Optionholder as to whether or not the terms of the Offers are fair and reasonable and to make a recommendation as to acceptance of the Offers. Red Sun Capital has been appointed as the Independent Financial Adviser to advise us in respect of the above.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offers and the advice of the Independent Financial Adviser, we concur with the Independent Financial Adviser's advice and consider that: (a) the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and we recommend the Independent Shareholders to accept the Share Offer; and (b) the terms of the Option Offer are fair and reasonable so far as the Optionholder are concerned and we recommend the Optionholder to accept the Option Offer.

However, Independent Shareholders, in particular those who intend to accept the Share Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the Offer Period. The Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Share Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than the receivable under the Share Offer.

The Optionholder should also monitor the market prices of the Shares during the Offer Period and should consider converting the Share Options and selling the conversion shares in the open market instead of accepting the Option Offer if the sale proceeds (net of transaction costs) exceed the net amount receivable under the Option Offer.

Furthermore, Independent Shareholders and the Optionholder are reminded that their decisions to dispose of or hold their investment in the Shares and/or Share Options are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Independent Shareholders and the Optionholder should consider carefully the terms of the Offers and the "Letter from Red Sun Capital" in this Composite Document.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. So Stephen Hon Cheung

Dr. Huang Zhijian

Dr. Chung Wai Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee for inclusion in this composite document.



7 June 2017

To: The Independent Board Committee of PINE Technology Holdings Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF SAGE GLOBAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
OF PINE TECHNOLOGY HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
SAGE GLOBAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
PINE TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in this composite document dated 7 June 2017 (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As stated in the “Letter from the Board” contained in the Composite Document, the Company and the Offeror jointly announced on 24 March 2017 that, among other things, on 22 March 2017 (after trading hours of the Stock Exchange), the Shares Vendors, the Offeror and the Guarantor entered into the Sale and Purchase Agreement (as supplemental by the Amended and Restated Sale and Purchase Agreement date 1 June 2017), pursuant to which the Shares Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the 539,964,042 Shares (representing approximately 58.59% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement), free from all Encumbrances together with all rights attaching thereto as at the Sale and Purchase Completion Date, at an aggregate Consideration of HK\$351,516,591 (equivalent to HK\$0.651 per Sale Share).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Sale and Purchase Completion took place on 5 June 2017. Prior to the Sale and Purchase Completion, the Offeror and parties acting in concert with it did not have any interest in the Shares, convertible securities, options, warrants or derivatives in respect of any Shares other than the Sale Shares. Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it owned a total of 539,964,042 Shares, representing approximately 58.59% of the issued share capital of the Company as at the Latest Practicable Date.

In accordance with Rules 13 and 26.1 of the Takeovers Code, on the Sale and Purchase Completion, the Offeror is required to make mandatory unconditional offers in cash (i) for the Offer Shares, being all the Shares in issue during the Offer Period other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) to cancel all the Share Options. The Offers comprising the Share Offer and the Option Offer, if and when made, will be unconditional in all respects.

As at the Latest Practicable Date, the Company has 921,584,783 Shares in issue and there were Share Options outstanding which entitle the holder thereof to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share. Pursuant to the share option scheme adopted by the Company on 16 April 2003, the Optionholder is entitled to exercise his Share Options to the extent not tendered for cancellation under the Option Offer up to the Closing Date, after which the Share Options will lapse. Save as the Shares and Share Options, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, an Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming, has been established to advise the Independent Shareholders and the Optionholder as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholder are concerned and whether the Independent Shareholders and the Optionholder should accept the Offers.

We, Red Sun Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offers. Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholder are concerned; and (ii) whether the Offers should be accepted.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Shares Vendors or the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Independent Board Committee in respect of the Offers. In the last two years, we have not acted as financial adviser to Independent Board Committee of the Company apart from acting as the Independent Financial Advisor in relation to the Discloseable and Connected Transaction and Special Deal in relation to the sale and purchase of 15% equity interests in Pine Technology (BVI) Limited. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Shares Vendors or the Offeror, their respective controlling shareholders or any other party acting or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules and the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provide to us by the Directors and the management of the Company. We have reviewed, inter alia, the Composite Document, the annual report of the Company for the year ended 30 June 2015, the annual report of the Company for the year ended 30 June 2016 (the “**Annual Report 2016**”) and the interim report of the Company for the six months ended 31 December 2016 (the “**Interim Report 2017**”). We have also researched and considered market data which we deemed relevant in arriving at our recommendation. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than any information relating to the Group or the Shares Vendors) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Group or the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror or the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders and Optionholder of acceptance or non-acceptance of the Offers since these depend on their individual circumstances. In particular, the Independent Shareholders and Optionholder who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Offers, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group and outlook

(a) Principal business of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in the design, manufacturing and distribution of personal computer based products and distribution of a wide range of personal computer and non-personal computer products through its extensive distribution network.

As stated in the Annual Report 2016, the Group is one of the world's leading companies in the design, manufacturing and distribution of personal computer ("PC") based products. It has two core business divisions – the XFX division, the one core focus of it is specializing in the design and manufacturing of Video Graphics products for the PC and PC upgrade market under the XFX brand. Leveraging on the strong Gamers' following of the XFX brand, XFX has extended its product family to the design and distribution of the Gaming Power Supply Unit family to further enhance the gaming experience of the XFX enthusiasts. The distribution division distributes a wide range of name brand PC and non-PC products through its extensive distribution network.

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(b) Historical financial performance of the Group

Set out below are the highlights of (i) the audited financial results of the Group for the three years ended 30 June 2014, 2015, and 2016; and (ii) the unaudited interim reports of the Group for the six months ended 31 December 2015 and 31 December 2016, details of which are set out in the Company's annual reports and interim reports for the respective years:

Table 1: Consolidated statement of comprehensive income of the Group

	Six months ended		For the year ended 30 June		
	31 December		2016	2015	2014
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	120,882	80,823	155,488	169,576	233,705
Cost of Sales	<u>(112,371)</u>	<u>(74,793)</u>	<u>(148,857)</u>	<u>(161,066)</u>	<u>(213,962)</u>
Gross Profit	8,511	6,030	6,631	8,510	19,743
Other income	51	73	339	279	264
Selling and distribution expenses	(1,892)	(1,873)	(3,418)	(4,138)	(5,154)
General and administrative expenses	(5,036)	(5,125)	(9,658)	(10,908)	(12,887)
Other gains and losses	21	113	(102)	1,365	18
Finance costs	(485)	(367)	(741)	(874)	(956)
Share of results of a joint venture	<u>–</u>	<u>–</u>	<u>(26)</u>	<u>–</u>	<u>–</u>
(Loss) profit before tax	1,170	(1,149)	(6,975)	(5,766)	1,028
Income tax credit (expenses)	<u>(163)</u>	<u>(50)</u>	<u>613</u>	<u>(801)</u>	<u>(219)</u>
(Loss) profit for the period/year	<u><u>1,007</u></u>	<u><u>(1,199)</u></u>	<u><u>(6,362)</u></u>	<u><u>(6,567)</u></u>	<u><u>809</u></u>

According to the Annual Report 2016, all the Group's revenue was derived from the manufacturing and sale of market video graphic cards, other computer components and consumer electronic products.

(i) Comparison between the two years ended 30 June 2016

The Group's revenue for the year ended 30 June 2016 ("FY2016") amounted to approximately US\$155.5 million, representing a decrease of approximately 8.3% as

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compared to the year ended 30 June 2015 (“FY2015”). The decrease was mainly due to loss on market share and the Group had to take a costly action to go very aggressive in price to reduce inventory and maintain market share.

For FY2016, the overall cost of sales for the Group amounted to approximately US\$148.9 million, representing a decrease of approximately 7.6% as compared to FY2015. The overall gross profit of the Group decreased by approximately 22.1% from approximately US\$8.5 million for FY2015 to approximately US\$6.6 million for FY2016. The gross profit margin for FY2016 was approximately 4.3% as compared to approximately 5.0% for FY2015. The decrease was similar to reason of decrease in revenue as stated above.

For both FY2015 and FY2016, the Group recorded losses of approximately US\$6.4 million for FY2016 and approximately US\$6.6 million for FY2015.

(ii) Comparison between the two years ended 30 June 2015

The Group’s revenue for the year ended 30 June 2015 amounted to approximately US\$169.6 million, representing a decrease of approximately 27.4% as compared to the revenue of approximately US\$233.7 million for the year ended 30 June 2014 (“FY2014”). The decrease was mainly due to the demand of PC remained weak and the US Dollars was strong against almost every currency which had negative impact to the Group for FY2015 and the delay of the AMD 3 series release made the competition even tougher.

For FY2015, the overall cost of sales for the Group amounted to approximately US\$161.1 million, representing a decrease of approximately 24.7% as compared to FY2014. The overall gross profit of the Group decreased by approximately 56.9% from approximately US\$19.7 million for FY2014 to approximately US\$8.5 million for FY2015. The gross profit margin decreased from approximately 8.4% for FY2014 to approximately 5.0% for FY2015.

For FY2015, the Group recorded loss of approximately US\$6.6 million whereas the Group recorded a net profit of approximately US\$0.8 million for FY2014. The change from profit for FY2014 to loss for FY2015 was due to decrease in revenue which reasons are stated above.

(iii) Comparison between the two six months ended 31 December 2015 and 31 December 2016

The Group’s revenue for the six months ended 31 December 2016 amounted to approximately US\$120.9 million, representing an increase of approximately 49.6% as compared to the corresponding period in 2015. The increase is mainly due to the

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successful launch of the of AMD Polaris-based products in the Group's own brand division which the market response has been very positive and the demand has been strong.

The gross profit increased by approximately 41.1% to US\$8.5 million for the six months ended 31 December 2016 from approximately US\$6.0 million for the same period in 2015, mainly due to the increase in revenue. The gross profit margin maintained similar level from approximately 7.5% for the six months ended 31 December 2015 to approximately 7.0% for the six months ended 31 December 2016.

The Group turned from loss of approximately US\$1.2 million for the six months ended 31 December 2015 to net profit of approximately US\$1.0 million for the same period in 2016. The margin of net profit was approximately 0.8% for the six months ended 31 December 2016. The Group turned from loss for the six months ended 31 December 2015 to net profit for the same period in 2016 due to significant increase in gross profit as stated above. The sharp increase in loss for the period from January to June 2016 was due to clearance sale of old products in preparation for the launch of the 4 series Graphic Processing Unit ("GPU") in June 2016. The sharp increase in profit for the period from July to December 2016 was due to the launch of the 4 series GPU, which was well received by the market. As stated in the Interim Report 2017, the Directors consider that the Group maintains a cautious outlook for the remainder of the year and expect strong competition and a weak market due to seasonality.

(c) Financial position of the Group

Set out below is the summary of the consolidated assets and liabilities of the Group as at 31 December 2016, details of which are set out in the Interim Report 2017 of the Company:

Table 2: Consolidated statement of financial position of the Group

	As at 31 December 2016 (unaudited) US\$'000
Non-current assets	
– Property, plant and equipment	291
– Development costs	217
– Trademarks	154
– Interest in a joint venture	–
– Deposit placed for a life insurance policy	453
– Rental deposits	60
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	1,175
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	As at 31 December 2016 (unaudited) US\$'000
Current assets	
– Inventories	38,733
– Trade, bills and other receivables	77,509
– Amount due from a joint venture	2,215
– Tax recoverable	76
– Pledged bank deposits	2,727
– Bank balances and cash	5,047
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	126,307
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Current liabilities	
– Trade and other payables	35,562
– Amount due to a joint venture	1,224
– Tax payable	520
– Obligations under finance leases	6
– Bank borrowings	30,997
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	68,309
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Net current assets	57,998
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	59,173
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Capital and reserves	
– Share capital	11,851
– Share premium and reserves	47,256
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	59,107
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Non-current liability	
– Deferred tax liability	48
– Obligations under finance leases	18
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	66
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	59,173
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As at 31 December 2016, total assets amounted to approximately US\$127.5 million, total liabilities amounted to approximately US\$68.4 million and net assets amounted US\$59.1 million. Trade, bills and other receivables of approximately US\$77.5 million contributed to approximately 60.8% of total assets as at 31 December 2016. Trade and other payables of approximately US\$35.6 million contributed to approximately 52.0% of total liabilities as at 31 December 2016.

(d) Prospect and outlook of the Group

According to Annual Report 2016, the Group's revenue generated from the its own brand products represented approximately 59.6% of total revenue of the Group. As advised by the management of the Company, the Group's brand products are principally re-exported to other countries through Hong Kong. We have, accordingly, studied the Hong Kong re-exports of parts and accessories of the electronic calculating machine. Set out below is the highlights of the value of Hong Kong re-export of parts and accessories of the electronic calculating machines for the five years ended 31 December 2012, 2013, 2014, 2015 and 2016:

Table 3: Value of Hong Kong re-exports of parts and accessories of the electronic calculating machines

	2012	2013	2014	2015	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Re-export	11,996,644	15,511,817	15,130,677	12,764,444	13,391,657

Source: Hong Kong Merchandise Trade Statistics - Domestic Exports and Re-exports (December 2012, 2013, 2014, 2015 and 2016), Census and Statistics Department of Hong Kong Special Administrative Region (<https://www.censtatd.gov.hk/hkstat/sub/sp230.jsp?productCode=B1020003>)

As shown in Table 3 above, the value of Hong Kong re-exports of parts and accessories of electronic calculating machines increased by approximately 29.3% from approximately HK\$11,996.64 million in 2012 to approximately HK\$15,511.82 million in 2013 and then decreased slightly by approximately 2.5% to approximately HK\$15,130.68 million in 2014. In 2015, the re-exports value decreased significantly by approximately 15.6% to approximately HK\$12,764.44 million in 2015 as compared with approximately HK\$15,130.68 million in 2014 and then increased to approximately HK\$13,391.66 million in 2016. Therefore, the value of Hong Kong re-exports of parts and accessories of electronic calculating machines fluctuated from approximately HK\$11,996.64 million to approximately HK\$15,511.82 million in recent five years.

In addition to the fluctuation in the Hong Kong re-export value in computer accessories, given that (i) the Group's financial performance was not satisfactory with loss making for FY2016; (ii) as stated in the Annual Report 2016, the Group faced an decrease on revenue and gross profit, which was mainly due to loss on market share and had inventory issue so that the Company had to take a costly action to go very aggressive in

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price to reduce inventory and maintain market share; and (iii) no investment or business opportunities on the Group has been provided by the Offeror regarding the future business development to enhance long-term growth potential of the Company, it is uncertain that the Group could achieve the business development or could turnaround in the near future.

2. Principal terms of the Offers

(a) *The Offers*

CCBI, being one of the financial advisers to the Offeror, will make the Offers on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

The Share Offer

For each Offer Share HK\$0.651 in cash

The Share Offer Price per Offer Share under the Share Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances together with all rights attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of the Composite Document.

The Option Offer

For cancellation of each Share Option HK\$0.444 in cash

The Option Offer Price per Share Option under the Option Offer represents the difference between the Share Offer Price and the exercise price of HK\$0.207 per Share of these Share Options.

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the Latest Practicable Date, there were Share Options outstanding which entitle the holder thereof to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share. Pursuant to the share option scheme adopted by the Company on 16 April 2003, the Optionholder will be entitled to exercise his Share Options to the extent not tendered for cancellation under the Option Offer up to the Closing Date, after which the Share Options will lapse.

Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date.

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(b) Comparison of value

The Share Offer Price of HK\$0.651 per Offer Share represents:

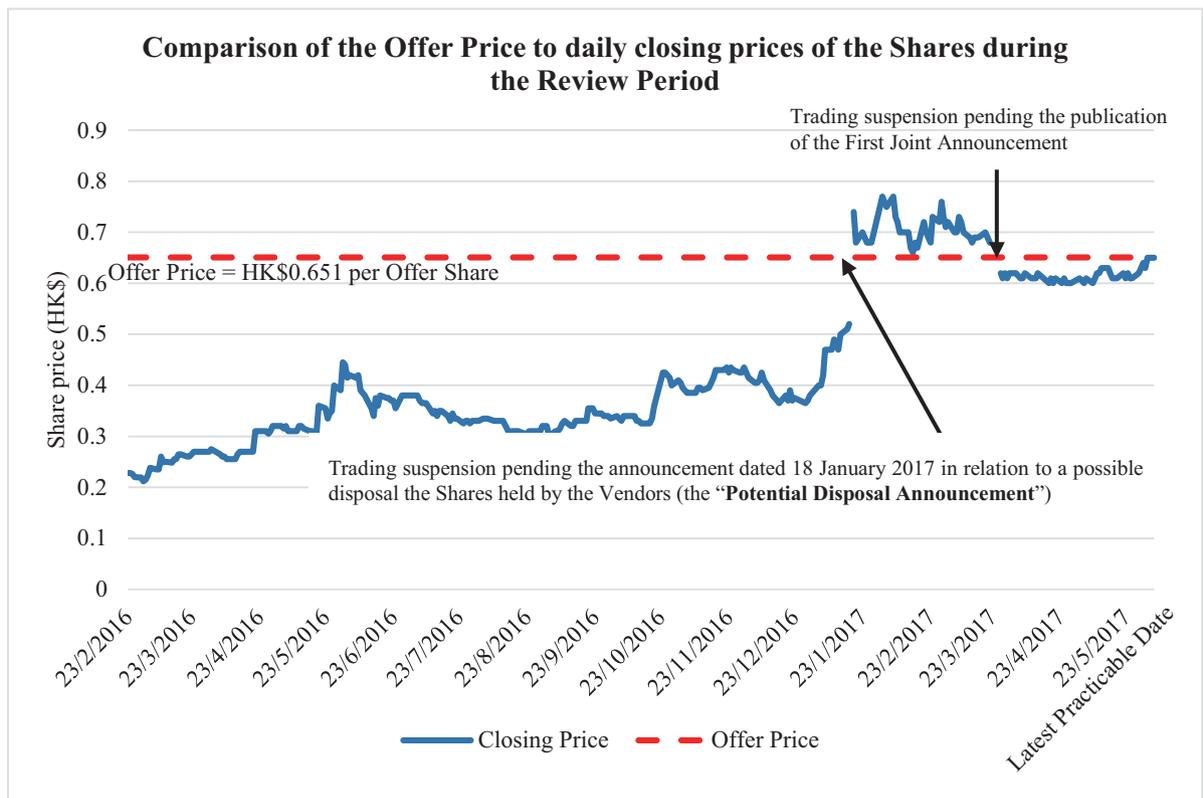
- (i) a premium of approximately 0.15% over the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 4.26% to the closing price of HK\$0.68 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 5.65% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of HK\$0.69 per Share;
- (iv) a discount of approximately 6.06% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of HK\$0.693 per Share;
- (v) a discount of approximately 7.00% to the average of the closing prices per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of HK\$0.70 per Share;
- (vi) a premium of approximately 25.19% over the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the last Business Day immediately preceding the date of the MOU Announcement; and
- (vii) a premium of approximately 30.72% over the unaudited consolidated net asset value of approximately HK\$0.498 per Share as at 31 December 2016 calculated based on the unaudited consolidated net asset value of the Group as at 31 December 2016 of approximately HK\$458,611,213 and 921,584,783 Shares in issue as at the Latest Practicable Date.

Further terms and conditions of the Offers including, among other things, its extension to the Overseas Offer Shareholders and Overseas Optionholder, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from CCBI” as set out in the Composite Document, Appendix I of the Composite Document and the Form of Acceptance.

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3. Historical Share price performance

Set out below is a chart showing the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 23 February 2016, being the date which is 12 months prior to the Last Trading Day, up to and including the Latest Practicable Date which we consider to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Share and the Share Offer Price (the “**Review Period**”):



Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.77 per Share on 1 February 2017 and 6 February 2017; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.212 per Share on 1 March 2016.

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During the Review Period, we note that the price of the Shares was at a range between HK\$0.212 per Share and HK\$0.77 per Share and were generally below the Share Offer Price, except for the period after the publication of the Potential Disposal Announcement and before the publication of the First Joint Announcement, from 19 January 2017 to 22 March 2017.

Prior to the Potential Disposal Announcement, from 23 February 2016 to 17 January 2017, the closing prices per Share have been on a slightly increasing trend and ranged from the lowest closing price of HK\$0.212 per Share on 1 March 2016 to the highest closing price of HK\$0.52 per Share on 17 January 2017, with an average closing price of approximately HK\$0.344 per Share.

Following the Potential Disposal Announcement on 18 January 2017, the closing price of the Share surged by approximately 42.31% from HK\$0.52 per Share on 17 January 2017 to HK\$0.74 per Share on 19 January 2017 and then hovered between HK\$0.66 per Share and HK\$0.77 per Share during the period from 20 January 2017 to 22 March 2017. Since there was no information of change in the financial position of the Group published in the public domain during such period, we have enquired the Directors regarding the possible reasons for the increase in the Share price after the aforesaid announcement on 18 January 2017 and were advised that they are not aware of any particular matters which might have impacted on the Share price. We have studied the Hang Seng Index movement and observed a similar movement in the Hang Seng Index during the period from 17 January 2017 to 19 January 2017. We found that Hang Seng Index increased by approximately 0.91% from 22,840.97 on 17 January 2017 to 23,049.96 on 19 January 2017.

On 24 March 2017, the Company published the First Joint Announcement with closing price of HK\$0.68 per Share on the Last Trading Day. Upon the publication of the First Joint Announcement on 24 March 2017, the closing price of the Share have decreased to HK\$0.62 per Share on 27 March 2017 and then hovered between HK\$0.6 per Share and HK\$0.65 per Share during the period from 28 March 2017 to the Latest Practicable Date. Since there was no information of change in the financial position of the Group published in the public domain during such period, we have enquired with the Directors regarding the possible reasons for the decrease in the trading volume after the publication of the First Joint Announcement on 27 March 2017 and were advised that they are not aware of any affirmative reasons for the aforesaid movements in the closing prices of the Shares.

Given that the Share price increased significantly after the Potential Disposal Announcement and there is no fundamental change of the Group's business, we are of view that there is no certainty that such level of Share price, being above or close to the Share Offer Price, can be sustained in the future.

Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Group during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

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4. Liquidity of the Shares

The table below sets out the trading volume of the Shares during the Review Period:

	Total monthly trading volume of the Shares <i>(Thousand Shares)</i>	Number of trading days	Average daily trading volume of the Shares <i>(Approximate thousand Shares)</i>	Percentage of average daily trading volume to total number of Shares in issue <i>(Note)</i>
2016				
February (commencing from 23 February 2016)	488	5	98	0.01%
March	11,414	21	544	0.06%
April	16,840	20	842	0.09%
May	75,638	21	3,602	0.39%
June	45,463	21	2,165	0.23%
July	11,032	20	552	0.06%
August	8,230	22	374	0.04%
September	15,226	21	725	0.08%
October	26,756	19	1,408	0.15%
November	13,512	22	614	0.07%
December	9,444	20	472	0.05%
2017				
January	271,663	18	15,092	1.64%
February	123,551	20	6,178	0.67%
March	90,973	21	4,332	0.47%
April	31,086	17	1,829	0.20%
May	51,047	20	2,552	0.28%
June (up to and including the Latest Practicable Date)	16,836	3	5,612	0.61%

Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

Note: Based on the number of issued Shares as at the Latest Practicable Date, which remained the same throughout the whole Review Period.

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As illustrated in the table above, the average daily trading volume of the Shares during the Review Period ranged from approximately 98,000 Shares to approximately 15,092,000 Shares, representing approximately 0.01% to approximately 1.64% of the total number of the Shares in issue as at the Latest Practicable Date. The average daily trading volume of Shares from 23 February 2016 onwards up to the Latest Practicable Date was generally thin, except for the period after the Potential Disposal Announcement, from January 2017 to March 2017. During the period from January 2017 to March 2017, the average daily trading volume of the Shares has increased significantly with percentage of approximately 1.55%, 0.74% and 0.47% of average daily trading volume to total number of Shares in issue in January 2017, February 2017 and March 2017 respectively.

Except for the relatively high trading volume following the Potential Disposal Announcement from January 2017 to March 2017, the average daily trading volume of Shares was generally thin and fluctuated during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. Therefore, we are of the view that the Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Offer Price if they so wish to.

5. Comparable analysis

Given that the Company is loss making for the preceding financial year, it is impracticable to use price-to-earnings ratio to (“**P/E Ratio**”) value the Company with other companies engaged in similar industry. Other than P/E Ratio, price-to-book ratio (“**P/B Ratio**”) is the most commonly used benchmark in valuing a company. P/B Ratio analysis is a commonly used business valuation method for capital-intensive business or businesses with plenty of assets on the books. According to the Interim Report 2017, the Company is engaged in manufacturing and sales of market video graphic cards, other computer components and consumer electronic products and it had plenty of current assets on the books as the book value of inventories accounted for approximately 30.4% of the Group’s total assets and approximately 65.5% of the Group’s net asset value. The major assets of the Group are comprised of current assets, including trade, bills and other receivables, inventories, bank balances and cash for the operation of the principal business. Given that (i) the Group has a few properties, plant and equipment which accounted for approximately 0.2% of the Group’s total assets and approximately 0.5% of the Group’s net asset value; (ii) the current assets of the Group which include trade, bills and other receivables, are having relatively high liquidity; and (iii) the level of inventories is a major factor of the Group’s ability to generate revenue, we consider that the P/B Ratio analysis is an applicable valuation method for our analysis. Based on the price of HK\$0.651 per Offer Share and the total number of issued Shares of 921,584,783 as at the Latest Practicable Date, the Company is valued at approximately HK\$599.95 million. The P/B ratio of the Company implied by the Share Offer Price (the “**Implied P/B Ratio**”) is approximately 1.31 times based on the unaudited consolidated net asset value of the Group as at 31 December 2016 of approximately HK\$458.61 million. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$552.95 million.

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In order to assess the fairness and reasonableness of the Share Offer Price, we have performed a comparable analysis and selected peer companies. When selecting peer companies for the purpose of comparison, we understand that (i) the principal activities of the Company include design, manufacturing and distribution of its PC based products, the XFX division and Video Graphics products which we consider that can be classified as part of electronic products; (ii) the Company is publicly listed on the Stock Exchange. Accordingly, we have identified companies which (i) are engaged in the design, manufacturing and distribution of electronic products which derived over 50% of its revenue from this segment; and (ii) are listed on the Main Board of the Stock Exchange. For this purpose, we have, to the best of our knowledge, identified four companies (the “**Comparable Companies**”) which we believe to be complete and exhaustive list based on the said criteria above. We have identified two comparable companies listed on the GEM Board of the Stock Exchange, namely, CircuTech International Holdings Limited (Stock code: 8051) and Glory Mark Hi-tech (Holdings) Limited (Stock code: 8159), but these two comparable companies have revenue of below HK\$500 million and net asset value of below HK\$100 million. Since these two companies are significantly smaller than the Company, we consider it is inappropriate to include them into our list of Comparable Companies. We consider that while the Company and the Comparable Companies are not closely similar in terms of, among others, financial performance, financial position and market capitalisation, the supply and demand of electronic products, and therefore the fundamentals of such companies engaged in similar business, are in general affected by similar macro-economic factors including, but not limited to, economy and outlook, prices of raw materials, demand from customers. Based on the foregoing, we consider the Comparable Companies as fair and representative comparable, the analysis of which is useful for assessing the fairness and reasonableness of the Share Offer Price. The following table sets out the details of the Comparable Companies:

Company name	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date (i) (HK\$ million)	Net Assets according to relevant annual/interim results (ii) (HK\$ million)	P/B Ratio (iii)=(i)/(ii)
PC Partner Group Ltd.	1263	Design, development and manufacturing of video graphics cards for desktop PCs, electronics manufacturing service, and manufacturing and trading in other PC related products and components.	572.63	933.19	0.61

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Company name	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date (i) (HK\$ million)	Net Assets according to relevant annual/interim results (ii) (HK\$ million)	P/B Ratio (iii)=(i)/(ii)
Wong's International Holdings Ltd.	99	Development, manufacture, marketing and distribution of electronics products as well as property investment.	1,674.69	2,985.30	0.56
CCT Land Holdings Ltd.	261	Design and development, manufacture and sale of telecom, electronic and infant and baby products, trading and sale of child products, and property development in Mainland China.	1,342.79	1,417.00	0.95
Sim Technology Group Ltd.	2000	Manufacturing, design and development and sale of display modules, handsets and solutions, wireless communication modules, carrying out internet of things business and property development in the PRC.	856.90	2,132.55	0.40
		Average			0.63
		Maximum			0.95
		Minimum			0.40
The Group			599.95 (Note 1)	458.61 (Note 2)	1.31

Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Calculated by the Share Offer Price of HK\$0.651 per Offer Share multiplied by the total number of issued Shares of 921,584,783 as at the Latest Practicable Date.
2. For the comparison purpose, the net assets value, disclosed on the latest interim report announced at 27 February 2017, has been converted from US\$59,107,000 to HK\$458,611,213 based on the exchange rate of US\$1.00 = HK\$7.759, which is equivalent to the exchange rate stated in the First Joint Announcement dated 24 March 2017.

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As illustrated in the table set out above, the P/B Ratio of the Comparable Companies ranged from approximately 0.40 times to approximately 0.95 times, with an average of approximately 0.63 times. Accordingly, the implied P/B Ratio of the Share Offer Price of approximately 1.31 times is higher than the average P/B Ratio of the Comparable Companies and is higher than the P/B Ratio of all Comparable Companies.

Having considered that the implied P/B Ratio of the Company represented by the Share Offer Price, being 1.31 times, is higher than the average P/B Ratio of 0.63 times and is also higher than the P/B Ratio of all Comparable Companies, which is more favourable than the P/B Ratio of all Comparable Companies, we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Information on the Offeror and the intention of the Offeror in relation to the Group

(a) Information of the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability and is wholly owned by South Pearl Ventures Limited, which in turn is wholly owned by the Guarantor, Mr. Zhang is also the sole director of the Offeror and South Pearl Ventures Limited. The biographical details of Mr. Zhang is set out in the “Letter from CCBI”.

The Offeror, its ultimate beneficial owner and parties acting in concert with any of them are third parties independent of and not connected with the Company and its connected persons.

(b) Intention of the Offeror

As stated in the “Letter from CCBI” contained in the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The sole director of the Offeror and persons who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that sufficient public float exists in the Shares. The Offeror also intends that the Group will continue its existing principal business. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s business and operations to increase the value of the Group. As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for the proposed changes to the composition of the Board as detailed below); or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

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The Board is currently made up of seven Directors, comprising two executive Directors, namely Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin; two non-executive Directors, namely Mr. Chiu Herbert Hang Tat and Mr. Li Chi Chung; and three independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming.

It is expected that the Offeror will require all the current Directors, except for Mr. Chiu Hang Tai, to resign as Directors with effect on the earliest date as permitted under the Takeovers Code for such resignations to take effect (i.e. the Closing Date). Mr. Chiu Hang Tai will remain as an executive Director and all the terms and conditions of his existing employment contract (including duration of the contract) remain unchanged. The Offeror intends to nominate new Directors to the Board and the appointment of new Directors will take effect no earlier than such date as permitted under the Takeovers Code (i.e. after the despatch of the Composite Document). The Offeror intends to nominate those who have rich experience and knowledge in corporate and/or financial management to oversee the affairs of the Group and manage the senior management personnel so as to leverage on their expertise and experience to improve the Group's operation. With the continued involvement of Mr. Chiu Hang Tai as an executive Director and the senior management in operation as well as the strong ability of the new Directors in management, the Offeror is confident that the new Board would be able to promote the development of the Group's business in future. As at the Latest Practicable Date, the Offeror intended to nominate (i) Mr. Zhang Sanhuo; and (ii) Mr. Chan Cheuk Ho ("Mr. Chan") as new executive Directors. The biographical details of the aforesaid nominated Directors are set out in the "Letter from CCBI".

7. Financial Effect of the Disposal

On 22 March 2017, the Company and Simply Perfect Group Limited entered into a disposal agreement simultaneously with the Sale and Purchase Agreement (as supplemental by the Amended and Restated Sale and Purchase Agreement dated 1 June 2017), pursuant to which the Company agreed to sell and Simply Perfect Group Limited agreed to purchase 15% of the issued share capital of Pine Technology (BVI) Limited at a consideration of US\$2,916,942 (equivalent to HK\$22,632,553) (the "**Disposal**").

After the Disposal completion, the Company's equity interest in Pine Technology BVI is reduced to 85%. As Pine Technology BVI is an 85%-owned subsidiary of the Company, the financial results of the Pine Technology BVI Group continue to be consolidated into the Company's consolidated financial statements. According to Hong Kong Financial Reporting Standards, no gain or loss will be recognised to the consolidated statement of profit or loss and other comprehensive income if a company has not lost control over a subsidiary after disposal of its partial interest in the subsidiary. Therefore, there is no gain or loss arising from the Disposal as the consideration of the Disposal is based on the consolidated net asset value of the Pine Technology BVI Group and Pine Technology BVI remains as a subsidiary of the Company immediately upon Disposal completion. Accordingly, the Group's net asset value will remain the same immediately following the Disposal completion.

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Thus, we are of view that the evaluation of Share Offer Price will not be affected by the Disposal because there is no change in the net asset value of the Group after the completion of the Disposal and no gain or loss arising from the Disposal.

Since 15% of the issued share capital of Pine Technology (BVI) Limited is no longer owned by the Group after the completion of the Disposal, the earnings attributable to the owners of the Company will be decreased by 15% if the Group makes profit while the loss attributable to the owners of the Company will be decreased by 15% if the Company suffers loss. Having considered that (i) the Company is loss making in FY2015 and FY2016 and profit making for the six months ended 31 December 2016; and (ii) there is no certainty whether the Group will be profit or loss making in the future, we are of view that the Disposal has neutral impact on the benefits of the owners of the Company and therefore, we are of the view that the Disposal is not a factor for the existing Shareholders to decide whether to accept the Share Offer or not.

THE OPTION OFFER

Pursuant to Rule 13 of the Code, the Offeror is also required to make the Option Offer.

As at the Latest Practicable Date, there are Share Options outstanding which entitle the holder thereof to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share. Pursuant to the share option scheme adopted by the Company on 16 April 2003, the Optionholder will be entitled to exercise his Share Options to the extent not tendered for cancellation under the Option Offer up to the Closing Date, after which the Share Options will lapse.

Under the Option Offer, the outstanding Share Options are in-the-money as the exercise price of HK\$0.207 per Share is lower than the Share Offer Price of HK\$0.651 per Share and the Option Offer Price is set at HK\$0.444 per Share which represents the difference between the Share Offer Price and the exercise price of these Share Options. Besides, considering that the exercise price of HK\$0.207 per Share for the Share Options represents a discount of approximately 68.2% to the closing price of the Shares of HK\$0.65 per Share as at the Latest Practicable Date, the outstanding Share Options are actually in-the-money with a “see-through” value of HK\$0.403 per Share when compared to the market price, which is lower than the Option Offer Price at HK\$0.444 per Share, hence we consider the Option Offer Price to be fair and reasonable to the Optionholder.

Optionholder are reminded to closely monitor the market price of the Shares during the Offer Period for acceptance of the Share Offer, and they may consider exercising their Share Options into Shares and selling such Shares in the open market if the market price is above the price of HK\$0.651 per Share, or they may also consider accepting the Option Offer if their Share Options become out-of-the-money if the market price of the Shares falls below the exercise price of HK\$0.207 per Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

1. The Share Offer

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Share Offer Price is generally at a premium to the historical prices of the Shares during the Review Period, a period of which we consider more appropriately reflects the fundamentals of the Company as analysed under the section headed “Historical Share price performance” above;
- (ii) the Share Offer Price represents a premium of approximately 30.72% over the unaudited consolidated net asset value of approximately HK\$0.498 per Share as at 31 December 2016 calculated based on the unaudited consolidated net asset value of the Group as at 31 December 2016 of approximately HK\$458,611,213 and 921,584,783 Shares in issue as at the Latest Practicable Date;
- (iii) the sustainability of the relatively higher price and trading volume of the Share after the Potential Disposal Announcement is uncertain and may not continue in the absence of the Offers;
- (iv) the Company’s implied P/B Ratio represented by the Share Offer Price is higher than the average P/B Ratio and the P/B Ratio of all Comparable Companies as analysed in the paragraph headed “Comparable analysis” above;
- (v) the change in Board composition may cast an uncertainty on the future development of the Group; and
- (vi) the Disposal is not a factor for the existing Shareholders to decide whether to accept the Share Offer or not as analysed under the section headed “Financial Effect of the Disposal” above,

we are of the opinion that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer. In view of the volatility of market conditions, those Independent Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the Independent Shareholders who wish to realise their investments in the Company in the open market should also consider and monitor the trading volume of the Shares during the Offer Period as they may experience difficulty in disposing of their Shares in the open market without creating downward pressure on the price of the Shares.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Share Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

2. The Option Offer

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the outstanding Share Options are in-the-money as the exercise price of HK\$0.207 per Share is lower than the Share Offer Price of HK\$0.651 per Share and the Option Offer Price is set at HK\$0.444 per Share which represents the difference between the Share Offer Price and the exercise price of these Share Options; and
- (ii) the exercise price of HK\$0.207 per Share for the Share Options represents a discount of approximately 68.2% to the closing price of the Shares of HK\$0.65 per Share as at the Latest Practicable Date, the outstanding Share Options are actually in-the-money with a “see-through” value of HK\$0.403 per Share when compared to the market price, which is lower than the Option Offer Price at HK\$0.444 per Share,

we are of opinion that the Option Offer Price to be fair and reasonable to the Optionholder. Accordingly, we recommend the Independent Board Committee to advise the Optionholder to accept the Option Offer (as the case may be).

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFERS

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offers.

1.1 The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the **WHITE** Form of Share Offer Acceptance and Transfer duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "PINE Technology Holdings Limited – Share Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of all or part of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance and Transfer duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked "PINE Technology Holdings Limited – Share Offer"; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Share Offer Acceptance and Transfer duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other

documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar in an envelope marked “PINE Technology Holdings Limited – Share Offer”; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing of processing your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar).
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance and Transfer should nevertheless be completed, signed and delivered in an envelope marked “PINE Technology Holdings – Share Offer” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other documents of title in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the share

certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and Transfer and deliver it in an envelope marked “PINE Technology Holdings – Share Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, CCBI and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance and Transfer.
- (e) Acceptance of the Share Offer will be treated as valid only if the completed and signed **WHITE** Form of Share Offer Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

In the event that the acceptance of the Share Offer is not valid, all instructions, authorisations and undertakings to the Offeror, CCBI and/or the Registrar shall

cease in which event the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) received by the Registrar, together with the Form of Share Offer Acceptance and Transfer duly cancelled, will be returned by ordinary post at your own risk to the person and address stated in the Form of Share Offer Acceptance and Transfer or, if no name and address is stated, to you or the first-named of you (in case of joint registered Shareholders) at the registered address shown in the register of members of the Company.

- (f) If the **WHITE** Form of Share Offer Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (for example, grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each Accepting Shareholder at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Accepting Shareholder. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Accepting Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any **WHITE** Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

1.2 The Option Offer

- (a) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send the duly completed and signed **YELLOW** Form of Option Offer Acceptance together with the relevant certificate(s) or other documents (if any) evidencing the grant of the Share Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for the Share Options which you hold that you wish to tender to the Option Offer to the Company at Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong marked "PINE Technology Holdings – Option Offer" on the envelope as soon as possible but in any event so as to reach the Company by not later than 4:00 p.m.

on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (b) If the **YELLOW** Form of Option Offer Acceptance is executed by a person other than the registered Optionholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Company must be produced.
- (c) No stamp duty will be deducted from the amount paid or payable to the Optionholder who accept the Option Offer.
- (d) No acknowledgement of receipt of any **YELLOW** Form of Option Offer Acceptance and/or the certificate(s) or other documents (if any) evidencing the grant of the Share Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share Options will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive or otherwise in accordance with the Takeovers Code, to be valid, the **WHITE** Form of Share Offer Acceptance and Transfer must be received by the Registrar and the **YELLOW** Form of Option Offer Acceptance must be received by the Company in each case, in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offers are extended, the Offeror will issue an announcement in relation to any extension of the Offers, which announcement will state either the next closing date or a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing must be given before the Offers are closed to those Independent Shareholders and Optionholder who have not accepted the relevant Offers before the Offers are closed. If, in the course of the Offers, the Offeror revises the terms of the Offers, all the Independent Shareholders and Optionholder, whether or not they have already accepted the Offers, will benefit under the revised terms. Revised offers must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.
- (c) If the closing date is extended, any reference in this Composite Document and in the Forms of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date of the Offers so extended.

3. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders and Optionholder, those Independent Shareholders and Optionholder who hold Shares or Share Options as nominee for more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for the beneficial owners of the Shares and Share Options whose investments are registered in nominee names to accept the Offers, it is essential that they provide instructions to their nominees of their intentions with regard to the Offers.

4. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised or extended. The announcement will state, among other matters, the following:
- (a) the total number of Offer Shares for which acceptances of the Share Offer have been received;
 - (b) the total number of Share Options for which acceptances of the Option Offer have been received;
 - (c) the total number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period;
 - (d) the total number of Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it during the Offer Period;
 - (e) details of any relevant securities in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (f) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of Shares and Share Options represented by acceptances as of the Closing Date, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code which have been received by the Registrar (in case of the Share Offer) or the Company (in case of the Option Offer), no later than 4:00 p.m. on the Closing Date, shall be included.

- (c) If the Offeror, parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of Accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.
- (d) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange and the website of the Company (<http://www.pinegroup.com>).
- (e) All announcements in relation to the Offers will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. RIGHT OF WITHDRAWAL

As the Offers are unconditional in all respects on the date on which the Offers are made, acceptances of the Offers shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code to the effect that, if the Offeror is unable to comply with the requirements of making announcement(s) relating to the Offers as described in the paragraph headed “4. Announcement” above, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the aforesaid requirements of making the announcement(s) can be met. In such case, an acceptor of the Offers may withdraw his/her/its acceptance by lodging a notice in writing signed by the him/her/it (or his/her/its agent duly appointed in writing and appropriate documentary evidence of authority being produced together with such notice) to the satisfaction of the Registrar (in case of the Share Offer) or the Company (in case of the Option Offer). Then, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares and/or Share Options lodged with the Forms of Acceptance to the relevant Accepting Shareholders or relevant Optionholder at their own risks.

6. SETTLEMENT OF THE OFFER

6.1 The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and Transfer and the relevant share certificate(s) and/or transfer receipt(s) and/or any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Accepting Shareholders, less seller’s ad valorem stamp duty at a rate of 0.1% of (i)

the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and if applicable, the fees payable to the Registrar in respect of lost or unavailable share certificates in respect of the Offer Shares tendered by him/her/it under the Share Offer, will be despatched to such Accepting Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed and valid acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptances complete and valid.

6.2 The Option Offer

Provided that a valid **YELLOW** Form of Option Offer Acceptance in respect of the relevant Share Options are complete and in good order in all respects and have been received by the Company by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to the Optionholder who accept the Option Offer in respect of the Share Options tendered by him under the Option Offer will be despatched to the Optionholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed and valid acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the Company to render each such acceptance complete and valid.

Settlement of the consideration to which any Accepting Shareholder or Optionholder who accepts the Option Offer is entitled under the Share Offer or the Option Offer will be paid by the Offeror in full in accordance with the terms of the Offers (save with respect of the payment of seller's ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder or Optionholder. No fraction of a cent will be payable and the amount of consideration payable to an Accepting Shareholder or Optionholder will be rounded up to the nearest cent.

7. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDER

The Offeror intends to make the Share Offer and the Option Offer available to all Independent Shareholders and Optionholder, respectively, including those who are not resident in Hong Kong. The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The making and the implementation of the Share Offer and the Option Offer to the Overseas Shareholders and Overseas Optionholder may be subject to the laws of the relevant overseas jurisdictions in which such Overseas Shareholders and Overseas Optionholder are located. Such Overseas Shareholders and Overseas Optionholder should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions. Overseas Shareholders and Overseas Optionholder who wish to accept the Offers

should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such Accepting Shareholders and Optionholder in such jurisdiction). Any acceptance by any Overseas Shareholder or Overseas Optionholder will be deemed to constitute a representation and warranty from such Overseas Shareholder or Overseas Optionholder to the Offeror, CCBI and the Company that such person (i) is permitted under all applicable laws to receive and accept the Share Offer and/or the Option Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required; and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders or Overseas Optionholder should consult their professional advisers if in doubt.

8. TAX IMPLICATIONS

Independent Shareholders and Optionholder should consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Offeror, the Company and parties acting in concert with any of them, CCBI, CCBIS, Optima Capital, Veda Capital, Red Sun Capital, the Registrar or any of their respective directors, professional advisers, any other parties involved in the Offers and any of their respective agents is in a position to advise the Independent Shareholders and Optionholder on their individual tax implications or accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

This Composite Document does not include any information in respect of overseas taxation. Independent Shareholders and Optionholder who may be subject to overseas tax should consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares or Share Options.

9. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, share certificates, certificate(s) of Share Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Optionholder will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Company and parties acting in concert with any of them, CCBI, CCBIS, Optima Capital, Veda Capital, Red Sun Capital and any of their respective agents, or the Registrar, the Company and other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in relevant Forms of Acceptance form part of the terms and conditions of the Offers to which it relates.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances are governed by and shall be construed in accordance with the laws of Hong Kong.
- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, CCBI, and such person or persons if any as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the relevant Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, or canceling the Share Options, in respect of which such person or persons has accepted the Offers.
- (f) Acceptances of the Share Offer will be deemed to constitute a warranty by the Accepting Shareholder(s) that the Shares are sold to the Offeror free from all Encumbrances and together with all rights attaching thereto on or after the date on which the Offers are made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, the above representations and warranties.
- (g) Acceptances of the Option Offer will be deemed to constitute a warranty by the Optionholder who accepts the Option Offer that the Share Options are surrendered and renounced free from all Encumbrances together with all rights attaching thereto on or after the date on which the Offers are made.
- (h) References to the Offers in this Composite Document and in the Forms of Acceptance include any extension or revision thereof.
- (i) In making their decision, Independent Shareholders and Optionholder must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as legal or business advice on the part of the Offeror, the Company and parties acting in concert with any of them, CCBI, CCBIS, Optima Capital, Veda Capital and Red Sun Capital. The Independent Shareholders and Optionholder should consult their own professional advisers for professional advice.

- (j) Unless otherwise expressly stated in this Composite Document and/or the relevant Forms of Acceptance, no one other than the Offeror and the relevant accepting Shareholders or Optionholder may enforce any terms of the contract that will arise on delivery of the relevant Forms of Acceptance, duly completed and executed, under the Contracts (Rights of Third Parties) Ordinance, Cap. 623 of the Laws of Hong Kong.

- (k) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

1. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the financial information of the Group for each of the three years ended 30 June 2014, 2015 and 2016 and the six months ended 31 December 2016 as extracted from the Company's annual reports and interim report. The consolidated financial statement of the Group for each of the years ended 30 June 2014, 2015 and 2016 were audited by Deloitte Touche Tohmatsu and did not contain any qualifications. For each of the years ended 30 June 2014, 2015 and 2016 and the six months ended 31 December 2016, no dividend was declared or paid. The Group had no exceptional items because of size, nature or incidence for each of the years ended 30 June 2014, 2015 and 2016.

	For the year ended 30 June			For the six months ended
	2016	2015	2014	31 December 2016
	US\$'000	US\$'000	US\$'000	US\$'000
	(audited)	(audited)	(audited)	(unaudited)
Revenue	155,488	169,576	233,705	120,882
Profit/(loss) before tax	(6,975)	(5,766)	1,028	1,170
Income tax expense	613	(801)	(219)	(163)
Profit/(loss) for the year/period attributable to owners of the Company	(6,362)	(6,567)	809	1,007
Other comprehensive income/(expense) for the year/period	(635)	(602)	155	(393)
Total comprehensive income/(loss) for the year/period attributable to owners of the Company	(6,997)	(7,169)	964	614
Dividend	–	–	–	–
Earnings/(loss) per Share attributable to the Shareholders				
– Basic (<i>US cents</i>)	(0.69)	(0.71)	0.09	0.11
– Diluted (<i>US cents</i>)	N/A	N/A	0.09	0.11

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 30 JUNE 2016

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 30 June 2016 as extracted from the annual report of the Company for the year ended 30 June 2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	<i>Notes</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Revenue	5	155,488	169,576
Cost of sales		<u>(148,857)</u>	<u>(161,066)</u>
Gross profit		6,631	8,510
Other income		339	279
Selling and distribution expenses		(3,418)	(4,138)
General and administrative expenses		(9,658)	(10,908)
Other gains and losses	6	(102)	1,365
Finance costs	7	(741)	(874)
Share of results of a joint venture	19	<u>(26)</u>	<u>–</u>
Loss before tax		(6,975)	(5,766)
Income tax credit (expense)	10	<u>613</u>	<u>(801)</u>
Loss for the year	11	<u>(6,362)</u>	<u>(6,567)</u>
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(635)	(773)
Reclassification of exchange reserve to profit or loss upon liquidation of a subsidiary		<u>–</u>	<u>171</u>
Other comprehensive expense for the year		<u>(635)</u>	<u>(602)</u>
Total comprehensive expense for the year		<u><u>(6,997)</u></u>	<u><u>(7,169)</u></u>
Loss per share	12		
Basic (<i>US cents</i>)		<u><u>(0.69)</u></u>	<u><u>(0.71)</u></u>

Consolidated Statement of Financial Position*At 30 June 2016*

	<i>Notes</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	<i>13</i>	463	1,375
Development costs	<i>14</i>	206	205
Trademarks	<i>15</i>	159	278
Interest in a joint venture	<i>19</i>	–	–
Deposit placed for a life insurance policy	<i>16</i>	445	429
Rental deposits		58	58
		<u>1,331</u>	<u>2,345</u>
Current assets			
Inventories	<i>17</i>	39,783	42,669
Trade and other receivables	<i>18</i>	56,604	54,704
Amounts due from a joint venture	<i>20</i>	1,456	–
Tax recoverable		78	82
Pledged bank deposits	<i>21</i>	2,722	2,713
Bank balances and cash	<i>22</i>	5,931	8,677
		<u>106,574</u>	<u>108,845</u>
Current liabilities			
Trade and other payables	<i>23</i>	22,742	15,398
Amounts due to a joint venture	<i>20</i>	576	–
Tax payable		506	2,044
Obligations under finance leases	<i>24</i>	12	12
Bank borrowings	<i>25</i>	25,537	28,215
		<u>49,373</u>	<u>45,669</u>
Net current assets		<u>57,201</u>	<u>63,176</u>
		<u>58,532</u>	<u>65,521</u>

	<i>Notes</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Capital and reserves			
Share capital	26	11,851	11,851
Share premium and reserves		<u>46,642</u>	<u>53,639</u>
		<u>58,493</u>	<u>65,490</u>
Non-current liabilities			
Deferred tax liability	27	19	–
Obligations under finance leases	24	<u>20</u>	<u>31</u>
		<u>39</u>	<u>31</u>
		<u><u>58,532</u></u>	<u><u>65,521</u></u>

The consolidated financial statements on pages II-1 to II-4 were approved and authorised for issue by the Board of Directors on 19 September 2016 and are signed on its behalf by:

Chiu Hang Tai
Director

Chiu Samson Hang Chin
Director

Consolidated Statement of Changes in Equity*For the year ended 30 June 2016*

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

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 2016*

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
OPERATING ACTIVITIES		
Loss before tax	(6,975)	(5,766)
Adjustments for:		
Finance costs	741	874
Interest income	(26)	(28)
Gain on disposal of property, plant and equipment	(16)	(1,498)
Allowance for doubtful debts recognised, net	152	609
Allowance for (reversal of write down of) inventories	1,104	(61)
Amortisation of development costs	199	243
Amortisation of trademarks	18	19
Trademarks written off	108	–
Depreciation of property, plant and equipment	747	499
Share of results of a joint venture	26	–
Reclassification of exchange reserve to profit or loss upon liquidation of a subsidiary	–	171
	<hr/>	<hr/>
Operating cash flow before movements in working capital	(3,922)	(4,938)
Decrease in inventories	1,268	12,937
Increase in trade and other receivables	(2,208)	(11,424)
Increase in trade and other payables	7,505	1,115
Increase in amounts due from a joint venture	(1,456)	–
Increase in amounts due to a joint venture	576	–
	<hr/>	<hr/>
Cash generated from (used in) operations	1,763	(2,310)
Hong Kong Profits Tax paid	(4)	(4)
PRC income tax paid	(104)	(110)
Overseas tax paid	(791)	(66)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<hr/> 864	<hr/> (2,490)

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
INVESTING ACTIVITIES		
Interest received	10	12
Proceeds from disposal of property, plant and equipment	25	4,838
Purchase of property, plant and equipment	(91)	(49)
Development expenditure incurred	(216)	(228)
Additions of trademarks	(7)	(7)
Placement of pledged bank deposits	(9)	(11)
Investment in a joint venture	(26)	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(314)</u>	<u>4,555</u>
FINANCING ACTIVITIES		
Interest paid	(741)	(874)
New bank borrowings raised	72,961	68,225
Repayment of bank borrowings	(75,583)	(70,031)
Repayment of obligations under finance leases	(11)	(11)
NET CASH USED IN FINANCING ACTIVITIES	<u>(3,374)</u>	<u>(2,691)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,824)	(626)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	8,677	9,363
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>78</u>	<u>(60)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>5,931</u></u>	<u><u>8,677</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u><u>5,931</u></u>	<u><u>8,677</u></u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

1. GENERAL

PINE Technology Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability 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 and principal place of business of the Company are Clarendon House, 2 Church Street Hamilton HM11, Bermuda and Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong, respectively.

The principal activities of the Group are the manufacturing and sales of high-quality computer components, and consumer electronic products and others. The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 37.

The consolidated financial statements are presented in United States dollars (“US\$”), which is the same as the functional currency of the Company.

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

There is no new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) applied by the Group for the first time in the current year.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKAS 7	Disclosure Initiative ⁵
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2019

⁵ Effective for annual periods beginning on or after 1 January 2017

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets*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.

Research and development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs 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 for which the estimates of future cash flows have not been adjusted.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a joint venture and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Leasing

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

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

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

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

Borrowing costs

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

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

Taxation

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

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

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

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

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

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

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

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in

which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Retirement benefits costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of property, plant and equipment, development costs and trademarks

As at 30 June 2016, the directors of the Company conducted a review of the relevant assets belonged to the Group's brand products operating division as there was recurring loss for the Group's brand products operating division. The relevant assets comprised the Group's certain items of property,

plant and equipment of approximately US\$305,000 (2015: US\$1,176,000) (see note 13) development cost of approximately US\$206,000 (2015: US\$205,000) (see note 14) and trademarks of approximately US\$159,000 (2015: US\$278,000) (see note 15). Determining whether these assets are impaired requires an estimation of the value in use of Group's brand products operating division which is the cash-generating unit to which these assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from these assets based on the latest financial budgets approved by the management and a suitable discount rate in order to calculate the present value of these assets. Based on the assessment, the directors of the Company considered that there is no impairment loss in respect of these assets and any reasonably possible change in the key assumptions is unlikely to result in a material impairment loss based on the sensitivity analysis of the recoverable amount of these assets. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and estimated selling expenses. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions. As at 30 June 2016, the carrying amount of inventories is approximately US\$39,783,000 (2015: US\$42,669,000), net of allowance for inventories of approximately US\$1,951,000 (2015: US\$867,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30 June 2016, the carrying amount of trade receivables is approximately US\$54,760,000 (2015: US\$53,987,000), net of allowance for doubtful debts of approximately US\$2,450,000 (2015: US\$2,811,000).

5. REVENUE AND SEGMENT INFORMATION

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

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on the sales of brands of products provided by the Group's operating divisions. The Group is currently organised into two operating divisions, which are sales of Group's brand products and other brand products. These two operating divisions form the basis of internal reports about components of the Group that are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Group's brand products	–	manufacture and sales of market video graphic cards and other computer components under the Group's brand name
Other brand products	–	distribution of other manufacturers' computer components and consumer electronic products and others

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

2016

	Group's brand products <i>US\$'000</i>	Other brand products <i>US\$'000</i>	Consolidated <i>US\$'000</i>
REVENUE			
External sales	92,608	62,880	155,488
SEGMENT RESULT	(5,946)	504	(5,442)
Interest income			26
Unallocated corporate expenses			(818)
Finance costs			(741)
Loss before tax			(6,975)

2015

	Group's brand products <i>US\$'000</i>	Other brand products <i>US\$'000</i>	Consolidated <i>US\$'000</i>
REVENUE			
External sales	92,980	76,596	169,576
SEGMENT RESULT	(4,578)	529	(4,049)
Interest income			28
Unallocated corporate expenses			(871)
Finance costs			(874)
Loss before tax			(5,766)

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.

Revenue from major products

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

Geographical information

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

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

Note: Non-current assets exclude financial instruments.

Information about major customers

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

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

6. OTHER GAINS AND LOSSES

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

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

7. FINANCE COSTS

	2016 US\$'000	2015 US\$'000
Interest on:		
Bank borrowings wholly repayable within five years	740	871
Finance leases	1	3
	<u>741</u>	<u>874</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Fees:		
Executive directors	62	62
Non-executive director	15	15
Independent non-executive directors	45	45
	<u>122</u>	<u>122</u>
Other emoluments to executive directors:		
Basic salaries and other benefits	306	306
Retirement benefits schemes contributions	2	2
	<u>308</u>	<u>308</u>
	<u>430</u>	<u>430</u>

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

	Directors' fees		Basic salaries and other benefits		Retirement benefits schemes contributions		Total	
	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Executive directors								
Mr. Chiu Hang Tai	31	31	187	187	2	2	220	220
Mr. Chiu Samson Hang Chin	31	31	119	119	–	–	150	150
	<u>62</u>	<u>62</u>	<u>306</u>	<u>306</u>	<u>2</u>	<u>2</u>	<u>370</u>	<u>370</u>
Non-executive director								
Mr. Chiu Herbert H T	15	15	–	–	–	–	15	15
Independent non-executive directors								
Mr. Li Chi Chung	15	15	–	–	–	–	15	15
Mr. So Stephen Hon Cheung	15	15	–	–	–	–	15	15
Dr. Huang Zhijian	15	15	–	–	–	–	15	15
	<u>45</u>	<u>45</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45</u>	<u>45</u>
	<u>122</u>	<u>122</u>	<u>306</u>	<u>306</u>	<u>2</u>	<u>2</u>	<u>430</u>	<u>430</u>

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

No director or chief executive waived any emoluments during the years ended 30 June 2016 and 30 June 2015.

9. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group include two (2015: two) executive directors of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining three (2015: three) individuals are as follows:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Basic salaries and other benefits	343	343
Contributions to retirement benefits schemes	2	2
	<u>345</u>	<u>345</u>

Their emoluments were within the following bands:

	2016 <i>Number</i>	2015 <i>Number</i>
US\$Nil to US\$129,000	2	2
US\$129,001 to US\$193,000	1	1
	<u>3</u>	<u>3</u>

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

	2016 <i>Number</i>	2015 <i>Number</i>
US\$Nil to US\$129,000	1	1
	<u>1</u>	<u>1</u>

During each of the two years ended 30 June 2016, no emolument was paid by the Group to the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX (CREDIT) EXPENSE

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Current tax		
Hong Kong Profits Tax	5	7
The People's Republic of China ("PRC") Enterprise Income Tax	82	161
PRC Withholding tax	134	–
Other jurisdictions	8	674
(Over)underprovision in prior years		
Hong Kong Profits Tax	(875)	(2)
PRC Enterprise Income Tax	25	9
Other jurisdictions	(11)	(48)
	<u>(632)</u>	<u>801</u>
Deferred taxation (<i>note 27</i>)	19	–
	<u>(613)</u>	<u>801</u>

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

PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits for both years.

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

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

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by PRC subsidiary for profits generated after 1 January 2008 at rate of 10% for companies incorporated in the British Virgin Islands ("BVI"), which is the beneficial owner of the dividend received.

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Loss before tax	<u>(6,975)</u>	<u>(5,766)</u>
Tax at the applicable tax rate of 40% (<i>note</i>)	(2,790)	(2,307)
Tax effect of expenses not deductible for tax purpose	2,787	3,285
Tax effect of income not taxable for tax purpose	(22)	(123)
Tax effect of utilisation of tax losses previously not recognised	(9)	(101)
Tax effect of tax losses not recognised	499	126
Tax effect of deductible temporary difference not recognised	(63)	15
(Over)underprovision in respect of prior years	(861)	(41)
Deferred tax provided for withholding tax on income derived in the PRC	19	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(51)	(65)
Others	<u>(122)</u>	<u>12</u>
Tax (credit) expense for the year	<u>(613)</u>	<u>801</u>

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

11. LOSS FOR THE YEAR

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Amortisation charges:		
Development costs (included in cost of sales)	199	243
Trademarks	18	19
Auditor's remuneration	351	364
Cost of inventories recognised as an expense	148,857	161,066
Allowance for (reversal of written down) of inventories	1,104	(61)
Depreciation of property, plant and equipment	747	499
Operating lease rentals in respect of land and buildings	1,071	1,398
Research and development costs	32	46
Staff costs:		
Directors' and chief executive's emoluments	430	430
Other staff costs	5,896	6,607
	<u>6,326</u>	<u>7,037</u>
Interest income on bank deposits	(10)	(12)
Interest income on deposit placed for a life insurance policy	(16)	(16)
	<u><u>(26)</u></u>	<u><u>(28)</u></u>

12. LOSS PER SHARE

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building in the United States <i>US\$'000</i>	Leasehold improvements <i>US\$'000</i>	Plant and machinery <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Furniture, fixtures and equipment <i>US\$'000</i>	Computer equipment <i>US\$'000</i>	Total <i>US\$'000</i>
COST							
At 1 July 2014	3,416	5,209	14,936	304	919	2,616	27,400
Exchange adjustments	-	(61)	(111)	(15)	(7)	(112)	(306)
Additions	-	-	16	-	25	8	49
Disposals	(3,416)	(307)	(120)	-	(23)	-	(3,866)
At 30 June 2015	-	4,841	14,721	289	914	2,512	23,277
Exchange adjustments	-	(10)	(461)	(3)	-	(22)	(496)
Additions	-	11	29	45	3	3	91
Disposals	-	-	(10)	(94)	(4)	(2)	(110)
Written off	-	-	(140)	-	-	-	(140)
At 30 June 2016	-	4,842	14,139	237	913	2,491	22,622
DEPRECIATION							
At 1 July 2014	199	4,315	14,225	192	798	2,480	22,209
Exchange adjustments	-	(48)	(118)	(7)	(3)	(104)	(280)
Provided for the year	56	73	252	32	55	31	499
Eliminated on disposals	(255)	(153)	(95)	-	(23)	-	(526)
At 30 June 2015	-	4,187	14,264	217	827	2,407	21,902
Exchange adjustments	-	(8)	(220)	(1)	-	(20)	(249)
Provided for the year	-	451	210	30	34	22	747
Eliminated on disposals	-	-	(5)	(94)	(1)	(1)	(101)
Eliminated on written off	-	-	(140)	-	-	-	(140)
At 30 June 2016	-	4,630	14,109	152	860	2,408	22,159
CARRYING VALUES							
At 30 June 2016	-	212	30	85	53	83	463
At 30 June 2015	-	654	457	72	87	105	1,375

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

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

The carrying values of furniture, fixtures and equipment includes an amount of US\$27,000 (2015: US\$50,000) in respect of assets held under finance leases.

14. DEVELOPMENT COSTS

	<i>US\$'000</i>
COST	
At 1 July 2014	4,820
Exchange adjustments	43
Additions	228
	<hr/>
At 30 June 2015	5,091
Exchange adjustments	(536)
Additions	216
	<hr/>
At 30 June 2016	4,771
	<hr/>
AMORTISATION	
At 1 July 2014	4,601
Exchange adjustments	42
Provided for the year	243
	<hr/>
At 30 June 2015	4,886
Exchange adjustments	(520)
Provided for the year	199
	<hr/>
At 30 June 2016	4,565
	<hr/>
CARRYING VALUES	
At 30 June 2016	206
	<hr/> <hr/>
At 30 June 2015	205
	<hr/> <hr/>

The amortisation period for development costs is two years.

15. TRADEMARKS

	<i>US\$'000</i>
COST	
At 1 July 2014	377
Addition	<u>7</u>
At 30 June 2015	384
Addition	7
Written off	<u>(139)</u>
At 30 June 2016	<u>252</u>
AMORTISATION	
At 1 July 2014	87
Provided for the year	<u>19</u>
At 30 June 2015	106
Provided for the year	18
Written off	<u>(31)</u>
At 30 June 2016	<u>93</u>
CARRYING VALUES	
At 30 June 2016	<u><u>159</u></u>
At 30 June 2015	<u><u>278</u></u>

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 the reporting period, the directors of the Company conducted a review on the Group's trademarks and concluded that certain trademarks were not expected to generate future economic benefits to the Group. Accordingly, these trademarks were written off.

16. DEPOSIT PLACED FOR A LIFE INSURANCE POLICY

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Deposit placed for a life insurance policy		
– due after one year	<u>445</u>	<u>429</u>

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 (2015: 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 2016 and 30 June 2015 and the Cash Value of the life insurance policy is insignificant.

17. INVENTORIES

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials	24,107	17,555
Work in progress	1,078	1,834
Finished goods	14,598	23,280
	<u>39,783</u>	<u>42,669</u>

18. TRADE AND OTHER RECEIVABLES

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	57,210	56,798
Less: Allowance for doubtful debts	<u>(2,450)</u>	<u>(2,811)</u>
	54,760	53,987
Deposits, prepayments and other receivables	<u>1,844</u>	<u>717</u>
	<u>56,604</u>	<u>54,704</u>

The Group allows a credit period of 1 to 180 days (2015: 1 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	15,568	16,692
31 to 60 days	8,616	7,686
61 to 90 days	4,078	7,143
Over 90 days	<u>26,498</u>	<u>22,466</u>
	<u>54,760</u>	<u>53,987</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating and limits for each customer. Limits attributed to customers are reviewed once a year. 67% (2015: 69%) of the trade receivables are neither past due nor impaired that are in good credit quality as long credit periods are granted to the respective customers, who have long business relationship with the Group and strong financial position.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US\$17,798,000 (2015: US\$16,683,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss. Although no collateral over these balances is held, the Group has assessed the creditworthiness, past payment history and substantial settlement after the end of the reporting period, and considered that the default risk is low, and accordingly no impairment has been provided.

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
1 to 30 days	5,119	6,274
31 to 60 days	3,732	3,908
61 to 90 days	3,191	2,199
Over 90 days	5,756	4,302
	<u>17,798</u>	<u>16,683</u>
Total	<u><u>17,798</u></u>	<u><u>16,683</u></u>

Movements in the allowance for doubtful debts:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
At 1 July	(2,811)	(2,506)
Exchange realignment	–	18
Impairment losses recognised, net	(152)	(609)
Amounts written off as uncollectible	513	286
	<u>(2,450)</u>	<u>(2,811)</u>
At 30 June	<u><u>(2,450)</u></u>	<u><u>(2,811)</u></u>

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

19. INTEREST IN A JOINT VENTURE

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

Notes:

- (a) As at 30 June 2016, the Group had the following joint venture:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest		Proportion of voting rights held		Nature of business
			2016	2015	2016	2015	
XFX Technology LLC	United Arab Emirates (“UAE”)	Paid up capital	49%	–	50%	–	Wholesale and distribution of computer components

- (b) Summarised financial information in respect of the Group’s material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture’s financial statements prepared in accordance with HKFRSs.

	2016 <i>US\$’000</i>
Current assets	1,213
Non-current assets	4
Current liabilities	<u>(1,456)</u>

The above amounts of assets and liabilities include the following:

	2016 <i>US\$’000</i>
Cash and cash equivalents	<u>172</u>
	2016 <i>US\$’000</i>
Revenue	1,826
Loss and total comprehensive expense for the year	<u>(220)</u>

- (c) The Group has discontinued recognition of all share of loss of the joint venture for the year ended 30 June 2016 because the Group’s share of loss in current year has exceeded its investment cost. The amount of the unrecognised share of loss of the joint venture, both for the year and cumulatively, are as follows:

	2016 <i>US\$’000</i>
Unrecognised and cumulative share of loss	<u>(208)</u>

20. AMOUNTS DUE FROM/TO A JOINT VENTURE

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

21. PLEDGED BANK DEPOSITS

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

The pledged bank deposits, which carry variable interest rates ranging from 0.001% to 0.54% (2015: 0.09% to 0.60%) per annum, will be released upon settlement of relevant bank borrowings.

22. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at interest rates ranging from 0.001% to 0.25% (2015: 0.001% to 0.25%) per annum with an original maturity of three months or less.

23. TRADE AND OTHER PAYABLES

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

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

The average credit period on purchase of goods is 30 to 60 days (2015: 30 to 60 days).

24. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is five (2015: five) years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 5% (2015: 5%) per annum. No arrangement have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Amounts payable under finance leases				
Within one year	13	13	12	12
In more than one year but not more than two years	22	14	20	12
In more than two years but not more than five years	–	20	–	19
	<u>35</u>	<u>47</u>	<u>32</u>	<u>43</u>
Less: Future finance charges	<u>(3)</u>	<u>(4)</u>		
Present value of lease obligations	<u>32</u>	<u>43</u>		
Less: Amount due for settlement within twelve months (shown under current liabilities)			<u>(12)</u>	<u>(12)</u>
Amount due for settlement after twelve months			<u>20</u>	<u>31</u>

25. BANK BORROWINGS

	2016 US\$'000	2015 US\$'000
Bank borrowings comprise the following:		
Trust receipts, export and import loans – secured	17,100	17,240
Other bank loans – secured	<u>8,437</u>	<u>10,975</u>
	<u>25,537</u>	<u>28,215</u>

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are:		
Within one year	25,537	28,215
Less: Amounts due within one year shown under current liabilities	25,537 (25,537)	28,215 (28,215)
Amounts shown under non-current liabilities	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings are 2.38% to 4.8% (2015: 1.99% to 5.10%).

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

Denominated in	Interest rate per annum	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Hong Kong dollars ("HK\$") (<i>note</i>)	Hong Kong Interbank Offered Rate ("HIBOR") plus 2.5% to 3% (2015: 2.5% to 3%)	3,100	2,756
US\$	London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.5% (2015: 1.75% to 2.5%)	18,265	21,255
	Singapore Interbank Offered Rate ("SIBOR") plus 1.5% (2015: 1.5%)	2,516	2,511
Canadian dollars ("CAD")	Canadian Prime Rate plus 1.95% (2015: 1.75%)	1,656	1,693
		25,537	28,215

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

26. SHARE CAPITAL

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

	Number of shares	Value <i>HK\$'000</i>	US\$ equivalent <i>US\$'000</i>
Ordinary shares of HK\$0.1 each:			
Authorised			
At 1 July 2014, 30 June 2015 and 30 June 2016	2,000,000,000	200,000	25,747
Issued and fully paid			
At 1 July 2014, 30 June 2015 and 30 June 2016	921,584,783	92,159	11,851

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

27. DEFERRED TAX LIABILITY

The following are the major deferred tax liability recognised and movements thereon during the current and prior year:

	Withholding tax on income derived in the PRC <i>US\$'000</i>
At 1 July 2014 and 30 June 2015	–
Charged to profit or loss	19
At 30 June 2016	19

At 30 June 2016, the Group has estimated tax losses of approximately US\$7,263,000 (2015: US\$6,198,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US\$1,402,000 (2015: US\$1,598,000) and US\$1,036,000 (2015: US\$268,000) that will expire in 2034 (2015: 2034) and 2030 (2015: 2030) respectively. Other losses may be carried forward indefinitely.

At 30 June 2016, no deferred tax liability has been recognised in respect of temporary differences attributable to certain undistributed earnings of subsidiaries of approximately US\$3,614,000 (2015: US\$5,235,000) 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 2016, the Group has deductible temporary differences of US\$1,039,000 (2015: US\$1,182,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. 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 five business days immediately preceding the date of grant, and the nominal value.

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption.

Details of the share options granted under the Old Scheme during the two years ended 30 June 2016 and 2015 to subscribe for the shares in the Company are as follows:

2016 and 2015

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK\$	Number of share options at 1 July 2014, 30 June 2015 and 30 June 2016
Employees	<u>25.3.2011</u>	<u>25.3.2011 – 24.3.2013</u>	<u>25.3.2013 – 24.3.2021</u>	<u>0.207</u>	<u>1,000,000</u>
Exercisable at the end of the year					<u>1,000,000</u>
Weighted average exercise price					<u>0.207</u>

The Group has not recognised any expense for share options in the profit or loss during both years.

29. PLEDGE OF ASSETS

Assets of certain subsidiaries with the following carrying amounts have been pledged to secure the Group's borrowings of US\$7,155,000 (2015: US\$9,693,000).

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Floating charges:		
Property, plant and equipment	234	404
Inventories	9,814	11,411
Trade and other receivables	13,846	14,690
Bank balances and cash	<u>2,414</u>	<u>3,662</u>
	<u>26,308</u>	<u>30,167</u>

In addition, deposit placed for a life insurance policy of US\$445,000 (2015: US\$429,000) and pledged bank deposits of US\$2,722,000 (2015: US\$2,713,000) as disclosed in the consolidated statement of financial position have been pledged to secure the Group's borrowings of US\$18,382,000 (2015: US\$18,522,000).

30. 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:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Within one year	724	701
In the second to fifth year inclusive	<u>960</u>	<u>1,437</u>
	<u><u>1,684</u></u>	<u><u>2,138</u></u>

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 at initial and rentals are fixed for the period of the lease.

31. RETIREMENT BENEFITS SCHEMES

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

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

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

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

Under the rules of the MPF Scheme, the Group contributes 5% of relevant payroll costs or HK\$1,500 per month to the scheme with effective from 1 June 2014 (HK\$1,250 per month before 1 June 2014) which contribution is matched by the employee, depending on the length of service with the Group. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

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

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Retirement benefits schemes contributions	<u><u>3</u></u>	<u><u>28</u></u>

32. RELATED PARTY DISCLOSURES

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Short-term employee benefits	771	771
Post-employment benefits	4	4
	<u>775</u>	<u>775</u>

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Non-current Assets		
Investment in a subsidiary	9,087	9,087
Trademark	4	4
	<u>9,091</u>	<u>9,091</u>
Current Assets		
Amounts due from subsidiaries	36,926	39,526
Bank balances and cash	33	133
	<u>36,659</u>	<u>39,659</u>
Current Liabilities		
Amount due to a subsidiary	1	–
	<u>36,658</u>	<u>39,659</u>
Net Current Assets	<u>36,658</u>	<u>39,659</u>
Net Assets	<u>48,749</u>	<u>48,750</u>
Capital and Reserves		
Share capital	11,851	11,851
Share premium and reserves	36,898	36,899
	<u>48,749</u>	<u>48,750</u>
Total Equity	<u>48,749</u>	<u>48,750</u>

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

	Share premium <i>US\$'000</i>	Surplus account <i>US\$'000</i> <i>(note)</i>	Share options reserve <i>US\$'000</i>	Other reserve <i>US\$'000</i>	Retained profits <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 July 2014	27,083	9,036	14	(2)	769	36,900
Loss for the year	—	—	—	—	(1)	(1)
At 30 June 2015	27,083	9,036	14	(2)	768	36,899
Loss for the year	—	—	—	—	(1)	(1)
At 30 June 2016	<u>27,083</u>	<u>9,036</u>	<u>14</u>	<u>(2)</u>	<u>767</u>	<u>36,898</u>

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.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes bank borrowings as disclosed in note 25, net of cash and cash equivalents, and equity attributable to the owner of the Company, comprising issued share capital and reserves.

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

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>66,483</u>	<u>66,310</u>
Financial liabilities		
At amortised costs	<u>48,213</u>	<u>43,418</u>

b. Financial risk management objectives and policies

The Group's financial instruments include deposit placed for a life insurance policy, trade and other receivables, amount due from a joint venture pledged bank deposits, bank balances and cash, trade and other payables, amount due to a joint venture and bank borrowings. Details of these financial instruments are disclosed in respective notes.

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

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

Market risk**(i) Currency risk**

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

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

	Assets		Liabilities	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
HK\$	4,130	4,109	3,812	3,918
US\$	1,599	3,448	3,320	1,693
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Inter-company balances				
Renminbi ("RMB")	3,056	3,813	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

In the opinion of directors of the Company, since HK\$ is pegged to US\$, the exposure to exchange fluctuation is limited and hence no sensitivity analysis in relation to HK\$ against US\$ is presented. The Group therefore mainly exposes to the currency of US\$ and RMB, when CAD and US\$ are the functional currency of the relevant subsidiaries, respectively.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in US\$ relative to CAD and in RMB relative to US\$.

5% (2015: 5%) is the sensitivity rate used for the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and also inter-company balances denominated in foreign currencies and adjusts their translation at the year end for a 5% (2015: 5%) change in foreign currency rates. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

The following table details the Group's sensitivity to a 5% (2015: 5%) when US\$ strengthens 5% (2015: 5%) against CAD or RMB strengthen 5% (2015: 5%) against US\$. There would be an equal and opposite impact when US\$ weakens 5% (2015: 5%) against CAD or RMB weaken 5% (2015: 5%) against US\$.

	Increase in loss	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Group		
US\$ against CAD	<u>(60)</u>	<u>(11)</u>
Inter-company balances		
RMB against US\$	<u>(153)</u>	<u>(191)</u>

(ii) *Interest rate risk*

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

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2015: 50) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2015: 50) basis points higher/lower and all other variables were held constant, the Group's post tax loss for the year ended 30 June 2016 would increase/decrease by US\$104,000 (2015: US\$107,000).

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as a substantial portion of its trade receivables is generated from a limited number of customers of certain foreign countries. The top five customers of the Group accounted for about 43% (2015: 45%) of the Group's trade receivables as at 30 June 2016. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that

adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

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

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

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

	Weighted average effective interest rate %	On demand or less than 3 months US\$'000	4 to 6 months US\$'000	7 to 9 months US\$'000	10 to 12 months US\$'000	Over 1 year US\$'000	Total undiscounted cash flows US\$'000	Carrying amount at 30 June US\$'000
2016								
Trade and other payables	-	22,100	-	-	-	-	22,100	22,100
Obligations under finance leases	5.10	3	3	3	4	22	35	32
Bank borrowings at variable interest rate	3.59	25,537	-	-	-	-	25,537	25,537
Amount due to a joint venture	-	576	-	-	-	-	576	576
		<u>48,216</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>22</u>	<u>48,248</u>	<u>48,245</u>
2015								
Trade and other payables	-	14,968	235	-	-	-	15,203	15,203
Obligations under finance leases	5.10	3	3	3	4	34	47	43
Bank borrowings at variable interest rate	3.54	28,215	-	-	-	-	28,215	28,215
		<u>43,186</u>	<u>238</u>	<u>3</u>	<u>4</u>	<u>34</u>	<u>43,465</u>	<u>43,461</u>

Bank loans with a repayment on demand clause are included in the “on demand or less than three months” time band in the above maturity analysis. As at 30 June 2016 and 30 June 2015, the carrying amounts of these bank loans amounted to US\$25,537,000 and US\$28,215,000 respectively.

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

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments		
	Less than 3 months US\$’000	Total undiscounted cash outflows US\$’000	Carrying amount US\$’000
30 June 2016	25,668	25,668	25,537
30 June 2015	28,380	28,380	28,215

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

c. Fair value measurements of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

36. DIVIDEND

No dividend had been paid or proposed for the year ended 30 June 2015 and 30 June 2014. The directors of the Company do not recommend a dividend in respect of the year ended 30 June 2016.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2016 and 2015 were as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
Advance Always Limited	BVI	US\$1	100	100	Investment holding
All Advance Limited	BVI	US\$1	100	100	Investment holding
Eastcom, Inc.	United States of America	US\$7,001,000	100	100	Wholesale and distribution of computer components
Elite View Development Ltd.	Hong Kong	HK\$1	100	100	Provision of services to group companies
Green Privado Asset Holdings LLC	United States of America	US\$1	100	100	Wholesale and distribution of computer components
i.Concept Inc.	Samoa	US\$1	100	100	Investment holding
Pan Eagle Limited	British Virgin Islands	US\$100	100	100	Investment holding
Pine Group Hong Kong Limited	Hong Kong	HK\$2	100	100	Investment holding
Pine Group Limited	British Virgin Islands	US\$10,000 Common shares and US\$2,995,729 Class A shares	100	100	Investment holding
Pine Technology (Macao Commercial Offshore) Ltd.	Macao	Patacas 100,000	100	100	Wholesale and distribution of computer components
PINE Technology Limited	Hong Kong	HK\$3	100	100	Wholesale and distribution of computer components
Pine Technology (BVI) Limited (<i>note a</i>)	British Virgin Islands	US\$10,000	100	100	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
Pineview Industries Limited (note b)	Hong Kong	HK\$1,000 Ordinary shares and HK\$2,400,000 Non-voting 5% deferred shares	100	100	Provision of production and other facilities to group companies
Samtack Inc.	Canada	CAD5 Common shares and CAD2,041,250 Class A shares	100	100	Wholesale and distribution of computer components
XFX Creation Inc.	British Virgin Islands	US\$1	100	100	Trademarks holding
東莞嘉耀電子有限公司 (note c)	PRC	RMB26,265,224 contributed capital	100	100	Manufacturing of electronics and computer digital audio device

Notes:

- (a) The Company directly holds the entire interest in Pine Technology (BVI) 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 a wholly foreign-owned enterprise registered in PRC.

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 2016 or at any time during the year.

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Set out below is the full text of the unaudited consolidated financial statements of the Group for the six months ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 31 December 2016.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 31 December 2016

	<i>Notes</i>	Six months ended	
		31 December	
		2016	2015
		Unaudited	Unaudited
		<i>US\$'000</i>	<i>US\$'000</i>
Revenue	2	120,882	80,823
Cost of sales		<u>(112,371)</u>	<u>(74,793)</u>
Gross profit		8,511	6,030
Other income		51	73
Selling and distribution expenses		(1,892)	(1,873)
General and administrative expenses		(5,036)	(5,125)
Other gains and losses		21	113
Finance costs		<u>(485)</u>	<u>(367)</u>
Profit (loss) before tax	3	1,170	(1,149)
Income tax expense	4	<u>(163)</u>	<u>(50)</u>
Profit (loss) for the period		<u><u>1,007</u></u>	<u><u>(1,199)</u></u>

		Six months ended	
		31 December	
		2016	2015
		Unaudited	Unaudited
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(393)	(791)
Other comprehensive expense for the period		(393)	(791)
Total comprehensive income (expense) for the period		<u>614</u>	<u>(1,990)</u>
Earnings (loss) per share	5		
– Basic (<i>US cents</i>)		<u>0.11</u>	<u>(0.13)</u>
– Diluted (<i>US cents</i>)		<u>0.11</u>	<u>N/A</u>

Condensed Consolidated Statement of Financial Position*At 31 December 2016*

		31 December 2016 Unaudited US\$'000	30 June 2016 Audited US\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		291	463
Development costs		217	206
Trademarks		154	159
Interest in a joint venture		–	–
Deposit placed for a life insurance policy		453	445
Rental deposits		60	58
		<u>1,175</u>	<u>1,331</u>
Current assets			
Inventories		38,733	39,783
Trade, bills and other receivables	6	77,509	56,604
Amount due from a joint venture		2,215	1,456
Tax recoverable		76	78
Pledged bank deposits		2,727	2,722
Bank balances and cash		5,047	5,931
		<u>126,307</u>	<u>106,574</u>
Current liabilities			
Trade and other payables	7	35,562	22,742
Amount due to a joint venture		1,224	576
Tax payable		520	506
Obligations under finance leases		6	12
Bank borrowings		30,997	25,537
		<u>68,309</u>	<u>49,373</u>
Net current assets		<u>57,998</u>	<u>57,201</u>
		<u>59,173</u>	<u>58,532</u>

	31 December 2016 Unaudited <i>Notes</i> US\$'000	30 June 2016 Audited US\$'000
Capital and reserves		
Share capital	11,851	11,851
Share premium and reserves	<u>47,256</u>	<u>46,642</u>
	<u>59,107</u>	<u>58,493</u>
Non-current liability		
Deferred tax liability	48	19
Obligations under finance leases	<u>18</u>	<u>20</u>
	<u>66</u>	<u>39</u>
	<u>59,173</u>	<u>58,532</u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 31 December 2016*

	Share capital US\$'000	Share premium account US\$'000	Surplus account US\$'000	Exchange reserve US\$'000	Share option reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 July 2015 (audited)	11,851	27,083	2,954	1,162	14	22,426	65,490
Loss for the period	-	-	-	-	-	(1,199)	(1,199)
Other comprehensive expense for the period							
Exchange differences arising on translation of foreign operations	-	-	-	(791)	-	-	(791)
Total comprehensive expense for the period	-	-	-	(791)	-	(1,199)	(1,990)
At 31 December 2015 (unaudited)	<u>11,851</u>	<u>27,083</u>	<u>2,954</u>	<u>371</u>	<u>14</u>	<u>21,227</u>	<u>63,500</u>
At 1 July 2016 (audited)	11,851	27,083	2,954	527	14	16,064	58,493
Profit for the period	-	-	-	-	-	1,007	1,007
Other comprehensive expense for the period							
Exchange differences arising on translation of foreign operations	-	-	-	(393)	-	-	(393)
Total comprehensive expense (income) for the period	-	-	-	(393)	-	1,007	614
At 31 December 2016 (unaudited)	<u>11,851</u>	<u>27,083</u>	<u>2,954</u>	<u>134</u>	<u>14</u>	<u>17,071</u>	<u>59,107</u>

Condensed Consolidated Statement of Cash Flows*For the six months ended 31 December 2016*

	Six months ended	
	31 December	
	2016	2015
	Unaudited	Unaudited
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash used in operating activities	(5,554)	(3,737)
Net cash used in investing activities	(192)	(146)
Net cash from financing activities	<u>4,967</u>	<u>4,394</u>
Net (decrease) increase in cash and cash equivalents	(779)	511
Cash and cash equivalents at 1 July	5,931	8,677
Effect of foreign exchange rate changes	<u>(105)</u>	<u>278</u>
Cash and cash equivalents at 31 December	<u><u>5,047</u></u>	<u><u>9,466</u></u>

Notes to Condensed Interim Accounts:**1. BASIS OF PRESENTATION**

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and method of computation used in the preparation of condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016, except as described as below:

In the current interim period, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the new HKFRSs had no material effect on condensed consolidated financial statements of the Group for the current and prior accounting periods.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions – manufacture and sales of market video graphic cards and other computer components under the Group’s brand names (“Group brand products”); and distribution of other manufacturers’ computer components and consumer electronic products and others (“Other brand products”).

An analysis of the Group's unaudited revenue and results for the six months ended 31 December 2016 and its comparatives are as follows:

	Group brand products		Other brand products		Consolidated	
	2016	2015	2016	2015	2016	2015
	Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000
Revenue						
External sales	83,462	44,965	37,420	35,858	120,882	80,823
Result						
Segment result	1,552	(799)	533	435	2,085	(364)
Interest Income					5	5
Unallocated corporate expenses					(435)	(423)
Finance costs					(485)	(367)
Profit (loss) before tax					1,170	(1,149)

3. PROFIT (LOSS) BEFORE TAX

Six months ended 31 December	
2016	2015
Unaudited	Unaudited
US\$'000	US\$'000

Profit (loss) before tax has been arrived at after charging:

Depreciation and amortisation	204	374
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4. INCOME TAX EXPENSE

Six months ended 31 December	
2016	2015
Unaudited	Unaudited
US\$'000	US\$'000

The charge comprises:

– Hong Kong Profits Tax	3	2
– in Other jurisdictions	160	48
	163	50

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	31 December	
	2016	2015
	Unaudited	Unaudited
	<i>US\$'000</i>	<i>US\$'000</i>
Profit (loss) for the purpose of: basic and diluted earnings per share	1,007	(1,199)
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	921,585	921,585
Effect of dilutive potential ordinary share in respect of outstanding share options	424	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	922,009	921,585

No diluted loss per share for the six months ended 31 December 2015 as the exercise of the share options would result in a reduction in loss per share for the period.

6. TRADE, BILLS AND OTHER RECEIVABLES

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

	31 December	30 June
	2016	2016
	Unaudited	Audited
	<i>US\$'000</i>	<i>US\$'000</i>
1 to 30 days	22,163	15,568
31 to 60 days	11,713	8,616
61 to 90 days	12,724	4,078
Over 90 days	29,719	26,498
Trade and bills receivables	76,319	54,760
Deposits, prepayments and other receivables	1,190	1,844
	77,509	56,604

7. 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:

	31 December 2016 Unaudited US\$'000	30 June 2016 Audited US\$'000
1 to 30 days	13,501	17,990
31 to 60 days	13,283	1,195
61 to 90 days	2,839	604
Over 90 days	2,136	238
	<hr/>	<hr/>
Trade payables	31,759	20,127
Deposits in advance, accruals and other payables	3,803	2,615
	<hr/>	<hr/>
	35,562	22,742
	<hr/> <hr/>	<hr/> <hr/>

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2017, being the latest practicable date for determining the indebtedness of the Group, the Group had outstanding total indebtedness of approximately US\$25,144,000 comprising of:

- (i) unguaranteed bank borrowings of approximately US\$2,670,000 and guaranteed bank borrowings of approximately US\$18,350,000. All of the bank borrowings were secured by the Group's property, plant and equipment, deposit for a life insurance policy, inventories, trade and other receivables or bank deposits;
- (ii) obligations under finance lease of US\$21,000 which were unguaranteed and secured by certain fixture and equipment; and
- (iii) unsecured and unguaranteed advances from the Second Vendor of approximately US\$4,103,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 March 2017, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued or term loan, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or finance lease commitments, whether guaranteed, unguaranteed, secured and unsecured; (iii) mortgage or charges; or (iv) guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 30 June 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

- (i) on 9 February 2017, the Company published a profit alert announcement (the “**Profit Alert Announcement**”) which stated that based on the preliminary assessment made by the Company’s management on the unaudited consolidated management accounts of the Group and other information available preceding the release of the Profit Alert Announcement and not any figures or information that had been audited or reviewed by the Company’s auditors, the Group was expected to record a profit for the six months ended 31 December 2016 as compared to a loss of US\$1,199,000 for the corresponding period in 2015. This was mainly attributable to a growth in revenue and gross profit for the six months ended 31 December 2016 due to the successful launch of the of Advanced Micro Devices, Inc Polaris-based products in the Company’s own brand division, further particulars relating to which was included in the Company’s interim report for the six months ended 31 December 2016; and
- (ii) on 22 March 2017, the Company and Simply Perfect Group Limited entered into a disposal agreement (the “**Disposal Agreement**”) simultaneously with the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and Simply Perfect Group Limited agreed to purchase 15% of the issued share capital of Pine Technology (BVI) Limited (“**Pine Technology (BVI)**”) at a consideration of US\$2,916,942 (equivalent to HK\$22,632,553) (the “**Disposal**”), and the related shareholders’ agreement. Details of the Disposal Agreement were disclosed in the circular of the Company dated 9 May 2017, no gain or loss arising from the Disposal as the consideration of the Disposal is based on the consolidated net asset value of Pine Technology (BVI) and its subsidiaries and Pine Technology BVI will remain as a subsidiary of the Company immediately upon completion of the Disposal.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders and the Optionholder with respect to the Offeror, the Group and the Offers.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date, the Offeror owned a total of 539,964,042 Shares (representing approximately 58.59% of the existing issued share capital of the Company). Save as disclosed above, the Offeror confirmed that:

- (a) none of the Offeror, its concert parties and directors had any interest in the relevant securities of the Company as at the Latest Practicable Date;
- (b) save for the entering into of the Sale and Purchase Agreement to acquire 539,964,042 Shares, none of the Offeror, its concert parties and directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;
- (c) none of the Offeror or parties acting in concert with it had received any irrevocable commitment to accept or reject the Offers as at the Latest Practicable Date;
- (d) none of the Offeror or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person during the Relevant Period;
- (e) none of the Offeror or parties acting in concert with it had borrowed or lent any Shares or any relevant securities of the Company during the Relevant Period; and
- (f) save for the Facility, there was no agreement, arrangement or understanding which may result in the securities of the Company to be acquired in pursuance of the Offers being transferred, charged or pledged to any other persons as at the Latest Practicable Date.

3. GENERAL

The Offeror confirmed that as at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offers;
- (b) save as disclosed under the section headed “6. Proposed change of Board composition” in the letter from CCBI contained in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or which was dependent upon the Offers; and
- (c) there was no agreement or arrangement to which the Offeror and parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.

4. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the date of the MOU Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share HK\$
29 July 2016	0.330
31 August 2016	0.320
30 September 2016	0.335
31 October 2016	0.410
30 November 2016	0.435
30 December 2016	0.380
17 January 2017 (the last Business Day immediately preceding the date of the MOU Announcement)	0.520
27 January 2017	0.680
28 February 2017	0.760
22 March 2017 (the Last Trading Day)	0.680
31 March 2017	0.620
28 April 2017	0.600
31 May 2017	0.640
5 June 2017 (the Latest Practicable Date)	0.650

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.77 per Share on 1 February 2017 and 6 February 2017; and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.30 per Share on 2 September 2016.

5. EXPERTS AND CONSENTS

Set out below are the names and qualifications of the professional advisers to the Offeror whose letter, opinion or advice are contained or whose names are referred to in this Composite Document:

Name	Qualification
CCBI	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Optima Capital	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of CCBI and Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its respective advice and/or letter and the references to its name included herein in the form and context in which they respectively appear.

6. MISCELLANEOUS

- (a) The Offeror is wholly owned by South Pearl Ventures Limited, which is in turn wholly owned by the Mr. Zhang who is also the sole director of the Offeror and South Pearl Ventures Limited. The principal members of the Offeror's concert group are South Pearl Ventures Limited and Mr. Zhang.
- (b) The registered office of the Offeror is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (c) The correspondence address of Mr. Zhang is Unit 2001-2, 20/F, Li Po Chun Chambers, 189 Des Vouex Road Central, Hong Kong.
- (d) The registered address of CCBI is 12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong.
- (e) The registered address of Optima Capital is Suit 1501, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (f) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the websites of the SFC at <http://www.sfc.com.hk> and the Company at <http://www.pinegroup.com>; and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any day (except Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Unit 1201, 12/F, 148 Electric Road, North Point, Hong Kong, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from CCBI, the text of which is set out on pages 8 to 17 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed “Experts and consents” in this appendix.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>200,000,000.00</u>
Issued and fully paid	
<u>921,584,783</u> Shares	<u>92,158,478.30</u>

As at the Latest Practicable Date, there were Share Options outstanding which entitle the Optionholder to subscribe for 1,000,000 new Shares at an exercise price of HK\$0.207 per Share.

As at the Latest Practicable Date, save as mentioned above, the Company has no outstanding warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company has not entered into any agreement for the issue of any Shares or any warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 30 June 2016, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS**(a) Interests of the Directors or chief executive of the Company**

As at the Latest Practicable Date, 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 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 for Securities Transactions by Directors (the "Model Code") contained in the Rules Governing the Listing Rules were as follows:

Name of Director/ chief executive	Capacity/ Nature of Interest	Number of issued Shares held (long position)	Approximate percentage of the issued share capital of the Company
Dr. Chung Wai Ming	Beneficial owner	70,000	0.01%

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, a subsidiary of the Company as at the Latest Practicable Date. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK\$1,000 million, as specified in the articles of association of the subsidiary, to holders of the ordinary shares.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries, as at the Latest Practicable Date, 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) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short

position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of Substantial Shareholder	Capacity	Number of issued Shares held (long positions)	Approximate percentage of the issued share capital of the Company
The Offeror	Beneficial owner	539,964,042	58.59%
Mr. Zhang Sanhuo ^(Note)	Interest in controlled corporation	539,964,042	58.59%
South Pearl Ventures Limited ^(Note)	Interest in controlled corporation	539,964,042	58.59%

Note: As at the Latest Practicable Date, Mr. Zhang Sanhuo is the sole shareholder of South Pearl Ventures Limited, which wholly owns Sage Global Holdings Limited, and the sole director of Sage Global Holdings Limited and is therefore deemed to be interested in the Shares held by Sage Global Holdings Limited.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital, or are required to be disclosed under the Takeovers Code.

(c) Other interests

As at the Latest Practicable Date,

- (i) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser);
- (ii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent;
- (iii) no person who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had irrevocably committed himself/herself to accept or not to accept the Offers;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (v) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company;
- (vi) save as disclosed above, none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company and Dr. Chung Wai Ming, the Director who held Shares as at the Latest Practicable Date, did not intend to accept the Offers; and
- (vii) neither the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

4. DEALING IN SECURITIES OF THE COMPANY

- (a) During the Relevant Period, save for the disposal of the Sale Shares by the Shares Vendors and the acquisition of the Sale Shares by the Offeror; none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

- (b) During the Relevant Period,
 - (i) neither the Company nor any of the Directors had dealt in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;

 - (ii) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;

 - (iii) there were no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code and therefore there were no such persons who had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

 - (iv) no fund managers connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

Save as disclosed below, there were no other material contracts entered into after the date two years before commencement of the Offer Period, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group:

- (i) the disposal agreement dated 22 March 2017 entered into between the Company and Simply Perfect Group Limited simultaneously with the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and Simply Perfect Group Limited agreed to purchase 15% of the issued share capital of Pine Technology (BVI) Limited (the “**Disposal**”) at a consideration of US\$2,916,942 (equivalent to HK\$22,632,553) and the related shareholders’ agreement; and
- (ii) the loan agreements dated 15 February 2017 and entered into between Pine Technology (Macao Commercial Offshore) Limited, which was an indirect wholly-owned subsidiary of the Company prior to the completion of the Disposal, as borrower and the Second Vendor as lender in relation to the provision of unsecured term loan facilities in the aggregate principal amount of HK\$32 million.

7. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date,

- (i) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (ii) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (iii) save for the Sale and Purchase Agreement, there was no material contracts entered into by the Offeror in which any Director had a material personal interest.

8. DIRECTORS’ SERVICE AGREEMENTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Director	Term of contract	Amount of remuneration
Mr. So Stephen Hon Cheung	Fixed term of 2 years from 13 September 2016 to 12 September 2018 (both dates inclusive), provided that either party may terminate such appointment at any time by giving at least one month's written notice	Director's fee of HK\$10,000 per month
Dr. Huang Zhijian	Fixed term of 2 years from 29 June 2016 to 28 June 2018 (both dates inclusive), provided that either party may terminate such appointment at any time by giving at least one month's written notice	Director's fee of HK\$10,000 per month
Mr. Chiu Herbert Hang Tat	Fixed term of 2 years from 29 June 2016 to 28 June 2018 (both dates inclusive), provided that either party may terminate such appointment at any time by giving at least one month's written notice	Director's fee of HK\$10,000 per month
Mr. Li Chi Chung	Fixed term of 2 years from 9 June 2016 to 8 June 2018 (both dates inclusive), provided that either party may terminate such appointment at any time by giving at least one month's written notice	Director's fee of HK\$10,000 per month
Dr. Chung Wai Ming	Fixed term of 2 years from 17 January 2017 to 16 January 2019 (both dates inclusive), provided that either party may terminate such appointment at any time by giving at least one month's written notice	Director's fee of HK\$10,000 per month

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Composite Document:

Name	Qualification
Red Sun Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Red Sun Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

10. MISCELLANEOUS

- (i) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company is at Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong.
- (iii) The company secretary of the Company is Mr. Leung Yiu Ming (“**Mr. Leung**”). Mr. Leung was appointed as the company secretary of the Company on 9 June 2000. He is a member of the Member of the Institute of Chartered Secretaries and Administrator and Member of Hong Kong Institute of Company Secretaries.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (v) The registered office of Red Sun Capital is at Room 3303, 33/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (vi) The English texts of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.pinegroup.com>) from the date of this Composite Document onwards for so long as the Offers remain open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 30 June 2015 and 2016;
- (c) the interim report of the Company for the six months ended 31 December 2016;
- (d) the letter from the Board, the text of which is set out in this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (g) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (h) the written consent referred to in the section headed “Expert and consent” in this appendix;
- (i) the service contracts as referred to in the section headed “Director’s Services Agreements” in this Appendix; and
- (j) this Composite Document.