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PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

Reference is made to the annual report (the “**Annual Report**”) of PINE Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 30 June 2022 (“**FY2022**”) published on the websites of The Stock Exchange of Hong Kong Limited and the Company on 27 October 2022. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Annual Report.

In addition to the information provided in the Annual Report, the Board wishes to further inform the Shareholders and potential investors of the Company in relation to the impairment loss on goodwill for FY2022.

IMPAIRMENT LOSS ON GOODWILL

As disclosed in the Annual Report, the impairment loss on goodwill of approximately US\$5,640,000 (the “**Impairment Loss**”) recorded for FY2022 was mainly related to the impairment loss on goodwill of a PRC subsidiary (the “**PRC Subsidiary**”), which provides computer software and hardware and system development services in the PRC.

According to the Hong Kong Accounting Standard 36 “Impairment of Assets” (“**HKAS 36**”) issued by the Hong Kong Institute of Certified Public Accountants, the recoverable amount of an asset is required to be measured whenever there is an indication that the asset may be impaired.

The Group determined the recoverable amount of goodwill based on the value in use (the “**VIU**”) of the cash generating units (“**CGUs**”) that are expected to benefit from a business combination.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs that is expected to benefit from the business combination. The carrying amount of goodwill arising from the acquisition of the PRC Subsidiary during the year ended 30 June 2019 had been allocated to the computer software and hardware and system development segment.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired, which is based on the estimation of the recoverable amount of the CGU, being the higher of the VIU or fair value less costs of disposal.

The VIU calculation takes into account the future cash flow expected to arise from the CGU and a suitable discount rate in arriving at the present value. Where the actual cash flow is less than expected, or any change in facts and circumstances results in downward revision of future cash flow, the VIU of a CGU may be reduced accordingly.

In the event that the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount will be reduced to the recoverable amount, and an impairment loss will be recognised.

Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss

As detailed in the Annual Report, the computer software and hardware and system development service segment's revenue was approximately US\$6,638,000 for FY2022, representing an approximate 2% decrease as compared to approximately US\$6,760,000 for the year ended 30 June 2021 ("**FY2021**").

During FY2022, the continuous outbreak of the COVID-19 pandemic and the emergence of COVID-19 variants had impeded the recovery of economic activities in the PRC. Various stringent lockdown measures and anti-pandemic policies had been in place which had discouraged business activities, casting an adverse impact on the operation and development of the PRC Subsidiary. Amid the COVID-19 pandemic, the majority of the customers of the PRC Subsidiary were less inclined to invest in or upgrade their computer software and hardware, and fewer significant projects were being put out to tender during FY2022. Thus, the PRC Subsidiary was unable to obtain significant contracts or projects during FY2022 and recorded an operating loss.

In view of the above and in preparing the consolidated financial statements of the Group for FY2022, after taking into account that (i) the COVID-19 pandemic remained uncontrolled at the material time; (ii) the PRC Subsidiary was unable to achieve the growth rate forecasted for FY2022; (iii) almost all of the existing significant contracts and projects of the PRC Subsidiary had been completed in FY2022, but no significant contracts or projects had been obtained by the PRC Subsidiary during FY2022; and (iv) the market sentiment in the PRC was unfavourable to business activities in general at the material time, the management of the Group has revised and adjusted downwards the next five-year revenue, gross margin and net margin forecast of the PRC Subsidiary for the five financial years ending 30 June 2027 (the "**Adjustments**"), leading to a significant reduction in the VIU of the CGUs and the recoverable amount of the CGUs for FY2022. As such, the management of the Group recognised the Impairment Loss.

The valuation method, and the reason(s) for adopting such method

The independent external valuer (the “**Valuer**”) has referenced to the HKAS 36 pursuant to which an estimate of the future cash flow that the entity expects to derive from the asset has to be reflected in the calculation of an asset’s VIU. Hence, the Valuer has adopted the discounted cash flow method under the income approach in assessing the VIU of the PRC Subsidiary.

The Valuer has been adopting the income approach in arriving at the VIU of the PRC Subsidiary since the completion of the acquisition of the PRC Subsidiary during the year ended 30 June 2019. Hence, the valuation method adopted in assessing the VIU of the CGUs for FY2022 was consistent with the previous valuations.

Reasons for any significant changes in the value of inputs or assumptions from those previously adopted

In the light of the reasons disclosed above in the paragraph headed “Details of the underlying reasons for, or the events and circumstances leading to the recognition of the Impairment Loss” in this announcement, the actual performance of the PRC Subsidiary was sub-par as compared to FY2021 and became loss making in FY2022. Accordingly, the management of the Group has made the Adjustments to reflect the latest situation that (i) the PRC Subsidiary was unable to achieve the growth rate forecast for FY2022; (ii) almost all of the existing significant contracts and projects of the PRC Subsidiary had been completed in FY2022, but no significant contracts or projects had been obtained by the PRC Subsidiary during FY2022; and (iii) the market sentiment in the PRC was unfavourable to business activities in general at the material time. Given that the Adjustments, being the key inputs to the valuation of the VIU of the CGUs, have been made and adopted, the valuation of the VIU of the CGUs for FY2022 has correspondingly decreased as compared to that of FY2021.

The above additional information does not affect other information contained in the Annual Report and the content of the Annual Report remains unchanged.

By order of the Board
PINE Technology Holdings Limited
Zhang Sanhuo
Chairman

Hong Kong, 22 February 2023

As at the date of this announcement, the executive Director is Mr. Zhang Sanhuo; and the independent non-executive Directors are Mr. So Stephen Hon Cheung, Mr. Zhou Chunsheng and Mr. Tian Hong.

* *For identification purpose only*