INTERIM REPORT **2018**

PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1611

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:
Mr. Henry Woon-hoe Lim *(Chief Executive Officer)*
Mr. Ho Hon Ching *(Chief Operating Officer)*

NON-EXECUTIVE DIRECTOR:
Mr. Simon Nai-cheng Hsu *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Pochin Christopher Lu
Mr. Danny J Lay
Ms. Hui Leung Ching Patricia

AUDIT COMMITTEE
Mr. Pochin Christopher Lu *(Chairman)*
Mr. Danny J Lay
Ms. Hui Leung Ching Patricia

REMUNERATION COMMITTEE
Mr. Danny J Lay *(Chairman)*
Mr. Pochin Christopher Lu
Mr. Simon Nai-cheng Hsu

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE
Ms. Hui Leung Ching Patricia *(Chairman)*
Mr. Danny J Lay
Mr. Simon Nai-cheng Hsu

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COMPANY SECRETARY
Mr. Som Wai Tong Ivan

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Pantronics Holdings Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2018.

This has been a truly transformational period for our Group as we have completed the relocation of our manufacturing facilities to a self-contained leasehold facility in Guangming New District, Shenzhen, the PRC.

As I mentioned in our 2017 Annual Report, with a purpose-built, stream-lined and efficient production facility, new plant and equipment and a state of the art manufacturing capability, our relocation is the springboard to significantly improve our production and development capabilities, allowing us to expand and grow our market share in our established markets and take advantage of opportunities offered by the "Made in China 2025" and the "Belt and Road" initiatives as well as the projected growth in the solenoid coil market.

Our revenue has increased by 17% in the period under review, an encouraging result reflecting increased demand from our existing customers in an improved economic environment. This positive top-line revenue growth however, has not translated into an increase in bottom-line profitability. Disappointingly, we have been adversely impacted by certain events outside our control including escalating raw material costs, predominantly copper, and the strengthening of the Renminbi against the US Dollar. Additionally, our result for the period includes certain one-time costs associated with the relocation which have contributed to the reduction in profitability.

Our challenge going forward is to increase our market share, take advantage of the benefits to be derived from our production facilities yet, at the same time, deliver sustainable growth amidst escalating raw material prices and uncertain exchange rate movements.

On behalf of the Board, I would like to thank all who have been involved in our relocation to our new production facility and who are working toward achieving our strategic plans including our Board members, our management team, our employees, our customers and our shareholders.

Simon Nai-cheng Hsu
Chairman
Hong Kong
17 May 2018

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group has experienced a 17.0% increase in revenue, with a 56.0% increase in sales to its largest customer, a positive result for the Company showing incremental growth in its underlying customer base and geographical markets.

Despite the increased revenue, this has not been matched with a corresponding increase in gross profit due to increased raw material costs, predominantly copper, higher labour costs and increased depreciation associated with the high levels of capital expenditure which have taken place in conjunction with the relocation of the manufacturing facility from Songgang to a self-contained leasehold manufacturing site in Guangming New District, Shenzhen, the PRC.

Costs associated with the move including relocation costs, duplicate rental and factory maintenance-associated costs of approximately HK$3.9 million have also negatively impacted the result for the period. Excluding these one-time costs, the adjusted profit before income tax for the period was HK$5.1 million compared to a prior year result of HK$13.1 million (excluding one-time listing costs of HK$5.9 million).

As well as increasing raw material costs, the Group has been adversely impacted by the appreciation of the Renminbi against the US Dollar and higher than expected legal and professional costs.

Undoubtedly, our business operations have faced challenges in the period under review including the physical relocation of the production facilities and labour shortages at a time when customer demand has seen a significant increase. While the result for the period is disappointing, we have been encouraged by the increased revenue experienced in the first half of the financial year.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK$23.3 million or 17.0% from HK$137.7 million for the six months ended 31 March 2017 to HK$161.0 million for the six months ended 31 March 2018, primarily due to an improvement in trading conditions across the Group's geographical and customer base. Specifically, revenues to its largest customer, mostly solenoid coils, increased by 56.0%.

Cost of sales

Cost of sales, primarily comprising raw materials, direct labour and manufacturing overheads, amounted to HK$138.6 million and HK$107.5 million for the six months ended 31 March 2018 and 31 March 2017, respectively, representing 86.1% and 78.1% of revenue for the six months ended 31 March 2018 and 31 March 2017, respectively. While the cost of sales has moved in line with revenue, increases in raw material costs, predominantly copper, and labour costs have significantly increased the cost of sales.

Gross profit and gross profit margin

The Group's gross profit was HK$22.4 million and HK$30.2 million, representing a gross profit margin of 13.9% and 21.9% for the six months ended 31 March 2018 and 31 March 2017, respectively.

The lower gross margin % reflects a combination of higher raw material costs, predominantly copper costs, coupled with increased labour costs and additional manpower resources required to prepare for and complete the relocation of the manufacturing plant in Songgang to a self-contained, leasehold manufacturing facility in Guangming.

Other income

Other income, which includes gains on disposal of property, plant and equipment, government grants, certification and inspection fees, sample sales and rework costs recharged to customers, increased by approximately HK$2.4 million from HK$1.5 million for the six months ended 31 March 2017 to HK$3.9 million for the six months ended 31 March 2018. The increase is due to, among others, the receipt of a HK$1.1 million government grant and HK$1.1 million in relation to the gain on disposal of property, plant and equipment.

Selling and distribution expenses

Selling and distribution expenses increased by HK$0.1 million or 2.4% from HK$3.7 million for the six months ended 31 March 2017 to HK$3.8 million for the six months ended 31 March 2018.

Administrative expenses

Administrative expenses increased by HK$4.1 million or 24.6% from HK$16.3 million for the six months ended 31 March 2017 to HK$20.4 million for the six months ended 31 March 2018. This increase includes, among others, increased legal fees, adverse exchange differences resulting from the strengthening of the Renminbi against the US Dollar, and the inclusion of HK$3.5 million move-related costs.

Finance costs

Finance costs have increased by HK$0.4 million from HK$0.6 million for the six months ended 31 March 2017 compared to HK$1.0 million for the six months ended 31 March 2018, in line with the increased level of borrowings in the Group.

Listing expenses

The Group incurred listing costs of HK$5.9 million for the six months ended 31 March 2017 in relation to its listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016.

Profit before income tax

The Group's profit before income tax has decreased by HK$3.9 million or 75.8% from HK$5.2 million for the six months ended 31 March 2017 to HK$1.3 million for the six months ended 31 March 2018. Excluding the impact of costs associated with the move including relocation costs, duplicate rental and factory maintenance-related costs of approximately HK$3.9 million for the six months ended 31 March 2018 and duplicate rental costs of HK$1.4 million and listing costs of HK$5.9 million for the six months ended 31 March 2017, the adjusted profit before tax of HK$5.1 million for the six months ended 31 March 2018 compares to an adjusted profit before tax of HK$13.1 million for the six months ended 31 March 2017. Despite increased revenues, the increase in raw material and labour costs coupled with the strengthening of the Renminbi against the US Dollar have had a material adverse impact on our profit before income tax.

Income tax expense

Our income tax expense decreased by approximately HK$2.7 million or 91.2% from HK$3.0 million for the six months ended 31 March 2017 to HK$0.3 million for the six months ended 31 March 2018. The effective tax rate for the six months ended 31 March 2018 and 31 March 2017 was 21.1% and 58.2%, respectively. Excluding the impact of non-deductible listing costs, the effective rate would have been 27.2% in 2017.

Profit for the period

Our profit for the period decreased by approximately HK$1.2 million or 54.4% from HK$2.2 million for the six months ended 31 March 2017 to HK$1.0 million for the six months ended 31 March 2018. The lower profits reflect the costs associated with the relocation incurred in the current period and, despite higher revenues, the impact of higher raw material prices, predominantly copper and higher labour costs.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2018 (31 March 2017 – interim dividend of HK$15.0 million (5 HK cents per ordinary share)).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations and bank borrowings. However, the cash flows for the six months ended 31 March 2017 were significantly affected by the Company's listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016, while those for the six months ended 31 March 2018 have been impacted by the relocation of the manufacturing plant in Songgang to a self-contained, leasehold manufacturing facility in Guangming. The Group's net cash as at 31 March 2018, together with the position as at 30 September 2017 is summarised below:

	31 March 2018 HK$'000	**30 September 2017** HK$'000
Cash and equivalents	68,165	90,231
Less: interest-bearing bank borrowings	(55,726)	(61,871)
Net cash	12,439	28,360
Debt to equity ratio	N/A	N/A

Cash and cash equivalents, denominated in HK$, US Dollars and Renminbi, include short-term bank deposits carrying interest at prevailing market rates.

The working capital position of the Group remains healthy. Now the relocation plan is substantially complete, we expect that our liquidity position will be strengthened by using a combination of cash generated from operating activities and bank borrowings.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was HK$13.3 million for the six months ended 31 March 2018 (31 March 2017 – HK$11.6 million used in operating activities). Contributing to the higher usage was a lower operating profit, increases in working capital and the incidence of restructuring costs off-set by lower income tax paid.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$3.3 million for the six months ended 31 March 2018 compared to HK$0.6 million in the comparative period. The current period outflow includes HK$4.5 million of capital expenditure (31 March 2017 – HK$0.6 million) and HK$1.1 million proceeds from the disposal of property, plant and equipment. The capital expenditure of HK$4.5 million is stated net of HK$3.7 million of prepayments for the purchase of property, plant and equipment at 30 September 2017, which have subsequently been transferred to property, plant and equipment in the current period.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was HK$7.2 million for the six months ended 31 March 2018 compared to HK$50.2 million generated from financing activities for the six months ended 31 March 2017. The prior period cash flow includes HK$94.5 million gross proceeds from the shares issued pursuant to the public offer, offset by HK$8.9 million of transaction costs debited to equity, dividend payments of HK$30.0 million and a HK$5.0 million decrease in bank borrowings. The outflow for the six months ended 31 March 2018 includes interest paid of HK$1.0 million and a HK$6.1 million decrease in bank borrowings.

CAPITAL EXPENDITURE

Capital expenditure in the period, financed by internal resources and credit facilities, amounted to HK$4.5 million (31 March 2017 – HK$0.6 million). The capital expenditure of HK$4.5 million is stated net of HK$3.7 million of prepayments for the purchase of property, plant and equipment at 30 September 2017 which have subsequently been transferred to property, plant and equipment in the current period.

CHARGE ON GROUP ASSETS

At 31 March 2018, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK$114.5 million (30 September 2017 – HK$113.2 million), comprising overdraft, confidential invoicing, import loans and a term loan. The facilities are secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial, certain corporate guarantees from the Company and, in the case of the confidential invoice facility, an assignment over specific trade receivables. At 31 March 2018, the amount drawn down under the confidential invoice facility was HK$27.8 million (30 September 2017 – HK$36.8 million), the import loan facility was HK$9.8 million (30 September 2017 – HK$11.7 million) and the term loan was HK$18.1 million (30 September 2017 – HK$13.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period under review, there have been no acquisitions or disposals of subsidiaries and associated companies by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the joint venture company as disclosed in the paragraph headed "Outlook" below, the Group has no other future plans for material investments or capital assets as at the date of this report.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (30 September 2017 – HK$nil).

COMMITMENTS

As at 31 March 2018, the Group had approximately HK$5.8 million (30 September 2017 – HK$14.2 million) of capital commitments in relation to the purchase of new machines and equipment for the installation of new production lines and leasehold improvements in the new manufacturing facility in Guangming.

Our contract commitments at 31 March 2018 include minimum lease payments under non-cancellable operating leases in respect of rented premises of approximately HK$69.5 million (30 September 2017 – HK$72.1 million).

FOREIGN CURRENCY RISK

The Group's principal operating subsidiaries carry out their operations in the PRC, including Hong Kong. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the sale and purchase of products. As a consequence, certain trade receivables and borrowings are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain foreign exchange contracts to minimise any currency exposure risks.

EMPLOYEES

At 31 March 2018, the Group had 811 employees (30 September 2017 – 819) working in Hong Kong, the PRC and the USA. The Group has adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including remuneration of the Directors and mandatory provident fund contributions) for the six months ended 31 March 2018 amounted to approximately HK$39.7 million (31 March 2017 – HK$33.7 million).

USE OF PROCEEDS FROM THE LISTING

Our Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016. The net proceeds from the listing of the Company, based on an offer price of HK$1.50 per share and after deducting underwriting fees and related expenses, amounted to approximately HK$62.5 million.

In January 2018, the Company announced that it had substantially completed the relocation of its manufacturing premises from the facility in Songgang to a manufacturing facility in Guangming. Because the relocation took longer than originally anticipated and certain estimates used in the Prospectus allocation have been superseded by actual costs, the plan of the use of proceeds, while not significantly different from the original allocation, has nonetheless changed.

	Actual net proceeds as per Prospectus allocation	**Incurred up to 31 March 2018 (including VAT)**
	HK$ million	*HK$ million*
Streamlining and modernising production processes and relocation of the production facility:		
Purchase of plant and equipment	29.4	23.3
Leasehold improvements	15.4	10.7
Inventory build	10.3	10.3
Relocation costs	6.9	11.9
	62.0	56.2
General working capital	0.5	0.5
	62.5	56.7
Unutilised at 31 March 2018		5.8
		62.5

Although the physical relocation is now complete and the new facility is fully operational, plans to purchase the remaining items of plant and equipment have been deferred until further feasibility on their effectiveness is carried out, in line with the Group's objective to streamline and modernise its manufacturing processes.

The Group however, is fully committed to its business development plan and will strive to meet in full its undertakings and commitments as set out in the Prospectus.

The unused net proceeds have been deposited with banks in Hong Kong.

OUTLOOK

One of the Group's major strategic initiatives was to relocate its production facilities to a self-contained leasehold manufacturing site. This was completed in January 2018 in conjunction with considerable investment in state of the art plant and equipment. Now that the relocation is complete, we can concentrate on our principal business objective of achieving sustainable growth in our current business and strengthening our capability to secure more business opportunities.

The new facility with its streamlined and modern production processes will allow us to increase capacity, enjoy the economies of scale and production efficiencies so we can compete more successfully and improve our financial performance.

Hand in hand with the new facilities, we recognise that our principal activities, the manufacture of solenoid coils, battery charger solution and power supply and LED lighting, are characterised by rapid technological advances. In order to keep up to date with the evolving advancements and customer demands, we are strengthening our product development capabilities by continuing to invest in highly-competent and well-trained employees as well as using our existing facilities, such as plastic-injection moulding, to expand our core competencies.

New product development and proactive marketing of our skills and competencies are pivotal to our future growth plans. In order to promote and enhance our product and corporate recognition, we need to engage more directly in marketing and promotional activities. We have already restructured our sales team and have undertaken additional recruitment and resource to engage in more market networking activities to promote and expand our customer base.

A major part of our strategic plan continues to be the expansion and growth of our market share in our solenoid coil business. According to industry market research, the total production of solenoid coils in China is expected to grow significantly in the next few years. Our market share in China is relatively small. As discussed in the Prospectus, we have entered into a non-legally binding memorandum of understanding with our largest customer, to establish a joint venture company with our internal resources to engage in the production of solenoid coils in China and subsequently supply to our largest customer and other potential customers. The Directors believe that the joint venture arrangement will enable us to increase our market share, benefit in the expected growth in China and develop highly price-competitive products.

The first six months of fiscal 2018 have been extremely busy with the relocation of our production facility. Encouragingly, revenue has increased when compared to the same period last year but, at the same time, increasing raw material prices, predominantly copper, have eroded our gross profit margins. The full benefits to be derived from the relocation will not be fully realised in fiscal 2018. While we will do everything in our power to minimise the impact of higher raw material costs, we anticipate that margins will continue to be adversely impacted for the remainder of the financial year. However, we do not anticipate a repetition of the relocation-assocated costs expensed in the six months ended 31 March 2018.

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TO THE BOARD OF DIRECTORS OF PANTRONICS HOLDINGS LIMITED
(incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 43, which comprise, the condensed consolidated statement of financial position of Pantronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 March 2018 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate no. P03246
Hong Kong, 17 May 2018

Condensed Consolidated Statement of Profit or Loss

	Notes	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
		Six months ended 31 March	
Revenue	6	**161,032**	137,672
Cost of sales		**(138,613)**	(107,454)
Gross profit		**22,419**	30,218
Other income	7	**3,917**	1,496
Interest income	8	**102**	23
Selling and distribution expenses		**(3,807)**	(3,716)
Administrative expenses		**(20,358)**	(16,333)
Finance costs	9	**(1,023)**	(642)
Listing expenses		**—**	(5,873)
Profit before income tax	10	**1,250**	5,173
Income tax expense	11	**(264)**	(3,010)
Profit for the period		**986**	2,163
Profit for the period attributable to owners of the Company		**986**	2,163

	Notes	2018 HK cents (Unaudited)	2017 HK cents (Unaudited)
		Six months ended 31 March	
Earnings per share			
– Basic and diluted	13	**0.33**	0.77

Condensed Consolidated Statement of Other Comprehensive Income

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**986**	2,163
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	**3,852**	(1,910)
Other comprehensive income for the period, net of tax	**3,852**	(1,910)
Total comprehensive income for the period attributable to owners of the Company	**4,838**	253

Condensed Consolidated Statement of Financial Position

	Notes	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**45,029**	36,089
Prepayments for the purchase of property, plant and equipment		**—**	3,702
Prepaid land lease payments under operating leases		**304**	321
		45,333	40,112
Current assets			
Inventories		**42,769**	43,886
Trade and other receivables	15	**72,526**	65,539
Amounts due from fellow subsidiaries		**249**	908
Amount due from the immediate holding company		**—**	13
Cash and bank balances		**68,165**	90,231
		183,709	200,577
Current liabilities			
Trade and other payables	16	**49,752**	56,737
Bank borrowings	17	**55,726**	61,871
Provision	18	**—**	1,208
Tax payable		**7,331**	10,566
		112,809	130,382
Net current assets		**70,900**	70,195
Total assets less current liabilities		**116,233**	110,307
Non-current liabilities			
Deferred tax liabilities	19	**1,837**	1,711
Net assets		**114,396**	108,596
EQUITY			
Share capital	20	**300**	300
Reserves		**114,096**	108,296
Total equity attributable to owners of the Company		**114,396**	108,596

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2018

	Unaudited							
	Share capital HK$'000 (note 20)	Share premium HK$'000 (note 21)	Share option reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2017	300	85,502	956	(2,495)	6,002	(7,477)	25,808	108,596
Share-based compensation expenses (note 22)	—	—	962	—	—	—	—	962
Transactions with owners	—	—	962	—	—	—	—	962
Profit for the period	—	—	—	—	—	—	986	986
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	—	—	3,852	—	3,852
Total comprehensive income for the period	—	—	—	—	—	3,852	986	4,838
Appropriation of statutory reserve	—	—	—	—	373	—	(373)	—
At 31 March 2018	300	85,502	1,918	(2,495)	6,375	(3,625)	26,421	114,396

	Unaudited						
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2016	—	—	(2,495)	4,758	(8,148)	36,858	30,973
Issue of shares (note 20(i))	237	—	—	—	—	—	237
Shares issued pursuant to the public offer and placing (note 20(ii))	63	94,437	—	—	—	—	94,500
Transaction costs attributable (note 21(ii)) to the public offer and placing	—	(8,935)	—	—	—	—	(8,935)
Transactions with owners	300	85,502	—	—	—	—	85,802
Profit for the period	—	—	—	—	—	2,163	2,163
Other comprehensive income							
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	—	(1,910)	—	(1,910)
Total comprehensive income for the period	—	—	—	—	(1,910)	2,163	253
Appropriation of statutory reserve	—	—	—	497	—	(497)	—
At 31 March 2017	300	85,502	(2,495)	5,255	(10,058)	38,524	117,028

Condensed Consolidated Statement of Cash Flows

		Six months ended 31 March	
	Note	**2018**	2017
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit before income tax		**1,250**	5,173
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases		**17**	17
Depreciation of property, plant and equipment		**1,602**	1,023
Interest expenses on bank borrowings		**1,023**	642
Interest income		**(102)**	(23)
Impairment loss on inventories		**740**	52
Equity-settled share-based payment expenses		**962**	—
Gain on disposal of property, plant and equipment		**(1,097)**	—
Operating profit before working capital changes		**4,395**	6,884
Decrease/(increase) in inventories		**377**	(7,203)
(Increase)/decrease in trade and other receivables		**(6,987)**	7,920
Decrease/(increase) in amounts due from fellow subsidiaries		**659**	(715)
Decrease in trade and other payables		**(6,985)**	(10,372)
Restructuring costs		**(1,208)**	—
Cash used in operations		**(9,749)**	(3,486)
Income tax paid		**(3,485)**	(8,101)
Net cash used in operating activities		**(13,234)**	(11,587)
Cash flows from investing activities			
Purchase of property, plant and equipment, net of prior year prepayments for the purchase of property, plant and equipment		**(4,538)**	(581)
Proceeds from disposal of property, plant and equipment		**1,097**	—
Interest received on bank deposits and balances		**102**	23
Decrease/(increase) in amount due from the immediate holding company		**13**	(14)
Net cash used in investing activities		**(3,326)**	(572)

	Note	Six months ended 31 March 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		**(1,861)**	(590)
Proceeds from invoice discounting facility		**145,825**	127,200
Repayments of invoice discounting facility		**(154,818)**	(131,594)
Proceeds from term loan		**4,709**	—
Interest paid on bank borrowings		**(1,023)**	(642)
Dividends paid		**—**	(30,000)
Proceeds from issue of ordinary shares		**—**	237
Shares issued pursuant to the public offer and placing		**—**	94,500
Transaction costs attributable to the public offer and placing debited to equity		**—**	(8,935)
Net cash (used in)/generated from financing activities		**(7,168)**	50,176
Net (decrease)/increase in cash and cash equivalents	23	**(23,728)**	38,017
Effect of foreign exchange rate changes		**1,662**	(1,575)
Cash and cash equivalents at beginning of the period		**90,231**	74,456
Cash and cash equivalents at end of the period		**68,165**	110,898
Analysis of the balance of cash and cash equivalents			
Cash and bank balances		**68,165**	110,898

1. GENERAL INFORMATION

Pantronics Holdings Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") on 21 November 2016. The address of the Company's registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Flat/RM 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products. The Directors consider these activities constitute one business segment, and is the basis upon which the Group reports its segment information.

The immediate holding company of the Company is New Wave Capital Limited ("NWC"), a company incorporated in the BVI with limited liability. The Directors of the Company consider the ultimate holding company to be SNH Global Holdings Limited, a company incorporated in the BVI with limited liability. The ultimate controlling party is Mr. Simon Nai-cheng Hsu.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard 34, "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 30 September 2017, except for the adoption of the accounting policy for government grants and the new and revised HKFRSs (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed below.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(a) Basis of preparation – *continued*

The Interim Financial Statements are unaudited but, have been reviewed by BDO Limited in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2017.

The Interim Financial Statements are presented in thousands of Hong Kong Dollars ("HK$'000"), unless otherwise stated.

(b) Adoption of amended HKFRSs – effective from 1 October 2017

In the current period, the Group has applied for the first time the following revised HKFRSs issued by the HKICPA, which are effective for the Group's financial statements for the annual financial period beginning on 1 October 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group is not required to provide the additional disclosures in the Interim Financial Statements.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of these amendments to HKAS 12 has no significant impact on the Interim Financial Statements.

Annual Improvements to HKFRSs 2014 – 2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. The adoption of the amendments to HKFRS 12 has no impact on the Interim Financial Statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(c) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, in the preparation of the Interim Financial Statements.

Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKAS 28, Investments in Associate and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers[1]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HKFRSs (Amendments)	Annual Improvements 2015 – 2017 Cycle[2]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture[3]

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

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(c) New or revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Based on the Group's financial instruments and risk management policies, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of customers and other debtors the Group has business with and the actual impairment of receivables experienced. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(c) New or revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, However, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 15 – Clarifications to HKFRS 15, Revenue from Contracts with Customers

The amendments to HKFRS 15 include clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(c) New or revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$69,498,000, as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The initial adoption of this interpretation has no significant impact on the Group's financial statements.

3. ESTIMATES

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 September 2017.

4. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors (the "Board"). The Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2017.

Liquidity Risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. It mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

4. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity Risk – *continued*

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contracted maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

With regard to the term loan, which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis reflects the cash flows based on the earliest period in which the entity would be required to pay if the lender was to invoke its unconditional right to call the loan with immediate effect. The maturity analysis for borrowings is prepared based on the scheduled repayment dates:

	Carrying amount HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Within one year or on demand HK$'000**
As at 31 March 2018 (Unaudited)			
Non-derivative financial liabilities:			
Trade and other payables	**47,465**	**47,465**	**47,465**
Bank borrowings	**55,726**	**55,726**	**55,726**
	103,191	**103,191**	**103,191**
As at 30 September 2017 (Audited)			
Non-derivative financial liabilities:			
Trade and other payables	55,562	55,562	55,562
Bank borrowings	61,871	61,871	61,871
Provision	1,208	1,208	1,208
	118,641	118,641	118,641

4. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity Risk – *continued*

The table that follows summarises the maturity analysis of the term loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors are of the opinion that the term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

The maturity analysis of the term loan subject to a repayment on demand clause based on scheduled repayments is as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year HK$'000	After 1 year but less than 2 years HK$'000	After 2 years but less than 5 years HK$'000
Term Loan					
As at 31 March 2018	**18,109**	**19,075**	**7,370**	**7,717**	**3,988**
As at 30 September 2017	13,400	14,435	2,758	5,710	5,967

5. SEGMENT INFORMATION

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision-makers, i.e. the executive Directors of the Company, who are responsible for making strategic decisions. Since management regards the Group's business as a single operating segment, no further operating segment analysis thereof is presented. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. Management considers the activities of the Group constitute a single segment based on a measure of revenue and operating result before income tax.

A measure of total assets for this single segment is the total assets on the consolidated statement of financial position. A measure of total liabilities for this single segment is the total liabilities on the consolidated statement of financial position.

Geographical information

The Group's operations are mainly located in Mainland China, Hong Kong, the United Kingdom (the "UK"), the United States of America (the "USA") and Japan. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")		
– Mainland China	**13,328**	11,013
– Hong Kong (place of domicile)	**859**	814
USA	**82,823**	72,048
UK	**23,749**	17,942
Rest of Europe	**9,437**	13,419
Japan	**19,942**	14,631
Others	**10,894**	7,805
	161,032	137,672

The revenue information above is based on the location of the customers.

"Others" above, represents sales to various countries which, individually represent less than 10% of the total revenue of the Group.

5. SEGMENT INFORMATION – *continued*

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the period, is set out below:

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Customer A	**76,941**	49,333
Customer B	**19,740**	13,771
Customer C	**16,621**	22,459

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas in which the assets are located:

	31 March	30 September
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Hong Kong	**1,326**	1,446
Mainland China	**44,003**	38,662
Others	**4**	4
	45,333	40,112

6. REVENUE

Revenue represents the total invoiced value of goods supplied less discounts and returns.

7. OTHER INCOME

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**1,097**	—
Government grant	**1,122**	—
Sundry income	**1,698**	1,496
	3,917	1,496

The government grant represents compensation received from the PRC Government to compensate research and development costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grant.

8. INTEREST INCOME

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest earned on bank deposits and balances	**102**	23

9. FINANCE COSTS

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**1,023**	642

10. PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases	**17**	17
Auditors' remuneration:		
– audit services	**302**	389
– other services	**260**	386
Cost of inventories recognised as expenses	**138,613**	107,454
Depreciation of property, plant and equipment	**1,602**	1,023
Exchange losses/(gains), net	**1,434**	(1,181)
Impairment loss on inventories	**740**	52
Minimum lease payments in respect of rented premises	**4,341**	3,961
Employee benefit expenses (including Directors' remuneration)	**39,725**	33,710

11. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax – Hong Kong:		
Provision for the period	**61**	1,240
Current income tax – Overseas:		
Provision for the period:		
Mainland China	**183**	1,656
USA	**6**	6
	189	1,662
Deferred tax liabilities (note 19)	**14**	108
Income tax expense	**264**	3,010

Hong Kong profits tax is calculated at the rate of 16.5% (2017 – 16.5%) on the estimated assessable profits for the period.

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "IRD") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016 and March 2018. The Group has subsequently objected to the assessment made. In addition, in July 2016, May 2017, November 2017 and December 2017, the same subsidiary received additional enquiries for information from the IRD. The Directors believe that the tax audit/enquiry is at its early stages and it is not practical, at this stage, to estimate the ultimate financial impact that this may have on the Group, if any.

Taxation arising in other jurisdictions is provided on the estimated taxable profits arising in those jurisdictions at the prevailing local rates.

The PRC corporate income tax is computed according to relevant laws and regulations in Mainland China. The income tax rate is 25% (2017 – 25%) for the period.

During the year ended 30 September 2015, dividends attributable to post 1 January 2008 earnings were remitted to Pantene Industrial Co. Limited ("Pantene Industrial") from its wholly owned PRC-based subsidiary, Shenzhen Pantai Electronic Co., Ltd. ("Shenzhen Pantai"). The Group has decided that, as it is probable that Shenzhen Pantai will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK$1,837,000 (2017 – HK$1,408,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings (note 19).

12. DIVIDENDS

At a Board Meeting held on 11 May 2017, the Directors approved the payment of an interim dividend of HK$15,000,000 (5 HK cents per ordinary share) in relation to the year ended 30 September 2017. This dividend was distributed on 23 June 2017 to shareholders whose names were recorded in the Register of Members of the Company on 8 June 2017.

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2018.

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the period.

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**986**	2,163
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	**300,000,000**	282,346,154
	HK cents	HK cents
	(Unaudited)	(Unaudited)
Basic earnings per share	**0.33**	0.77

Note:

The weighted average of 282,346,154 ordinary shares used in the calculation of basic earnings per share for the six months ended 31 March 2017 comprised: (i) 200,000 ordinary shares of the Company in issue as at 30 September 2016; (ii) 236,800,000 ordinary shares of the Company issued and allotted to the immediate holding company, NWC, at par value of HK$0.001 each pursuant to the shareholder's resolution dated 17 November 2016 as if this issue had occurred at 1 October 2016; and (iii) 63,000,000 ordinary shares allotted by way of the public offer and placing on the Stock Exchange of Hong Kong on 21 November 2016.

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the shares for the six months ended 31 March 2018.

There were no potential dilutive ordinary shares outstanding during the six months ended 31 March 2018 and 31 March 2017, and hence, the diluted earnings per share is the same as the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period amounted to HK$4,538,000 (31 March 2017 – HK$581,000). The additions of HK$4,538,000 are stated net of HK$3,702,000 of prepayments for the purchase of property, plant and equipment in existence as at 30 September 2017 which have subsequently been transferred to property, plant and equipment in the period.

Items of plant and machinery with a net book value of HK$nil were disposed of during the six months ended 31 March 2018 (31 March 2017 – HK$nil), resulting in a gain on disposal of HK$1,097,000 (31 March 2017 – HK$nil).

Depreciation of HK$1,602,000 (31 March 2017 – HK$1,023,000) has been charged to the consolidated statement of profit or loss.

15. TRADE AND OTHER RECEIVABLES

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Trade receivables	**64,619**	56,172
Less: impairment provisions	**—**	—
Trade receivables – net	**64,619**	56,172
Prepayments and other receivables	**7,907**	9,367
	72,526	65,539

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 31 March 2018, trade receivables of HK$63,095,000 (30 September 2017 – HK$57,270,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 31 March 2018, the asset-backed lending liabilities amounted to HK$27,770,000 (30 September 2017 – HK$36,763,000) (note 17).

15. TRADE AND OTHER RECEIVABLES – *continued*

At the reporting date, the aged analysis of trade receivables, based on invoice date, is as follows:

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
0 – 60 days	**39,557**	47,063
61 – 90 days	**14,679**	7,521
91 – 120 days	**10,311**	1,588
More than 120 days	**72**	—
	64,619	56,172

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

The Group allows credit periods ranging from 30 to 100 days (30 September 2017 – 30 to 100 days) to its trade customers depending on their credit status and geographical location during the period. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

The aged analysis of the Group's trade receivables, based on due date, that were past due as at the reporting date but not impaired, is as follows:

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Neither past due nor impaired	**43,009**	50,130
0 – 60 days past due	**20,046**	6,042
61 – 90 days past due	**1,411**	—
91 – 120 days past due	**108**	—
Over 120 days past due	**45**	—
	21,610	6,042
	64,619	56,172

Trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

16. TRADE AND OTHER PAYABLES

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Trade payables	**28,779**	35,615
Other payables and accruals	**20,973**	21,122
	49,752	56,737

At the reporting date, the aged analysis of trade payables, based on invoice date, is as follows:

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
0 – 60 days	**19,449**	24,795
61– 90 days	**3,959**	6,178
More than 90 days	**5,371**	4,642
	28,779	35,615

The Directors of the Company consider that the carrying amounts of trade and other payables approximate to their fair values.

17. BANK BORROWINGS

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	**9,847**	11,708
Asset-backed lending	**27,770**	36,763
Term loan subject to repayment on demand clause	**18,109**	13,400
Total bank borrowings	**55,726**	61,871
Bank borrowings are repayable as follows:		
Within one year or on demand	**55,726**	61,871

The asset-backed lending represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in trade receivables (note 15).

The bank borrowings, which are denominated in HK$, US Dollars ("US$") and Renminbi ("RMB"), carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the country in which the facility has been taken out.

The term loan which is denominated in RMB and carries a variable interest rate of 110% of the applicable People's Bank of China benchmark lending rate was secured to provide financing for the purchase of new plant and equipment. The term loan is scheduled for repayment in five equal six-monthly instalments commencing 12 months from the first utilisation date of the loan. The facility agreement contains a clause that provides the bank with an unconditional right to demand repayment at any time at its own discretion. Accordingly, the term loan has been classified as current liabilities in the consolidated statement of financial position as at 30 September 2017 and 31 March 2018.

The effective interest rates on the Group's floating rate borrowings range from 3.0% to 5.0% per annum (30 September 2017 – 3.0% to 5.0% per annum).

The fair values of the Group's bank borrowings, determined as the present value of the estimated future cash flows, discounted using the prevailing market rate at the reporting date, approximate to their carrying values.

Refer to note 24 for details of pledged assets.

18. PROVISION

	Onerous contract	
	31 March 2018 HK$'000	31 March 2017 HK$'000
At 1 October 2017/2016 (audited)	**1,208**	—
Utilisation of provision	**(1,208)**	—
Carrying amount at 31 March 2018/2017 (unaudited)	**—**	—

The provision at 1 October 2017 comprised an onerous contract representing the estimated present value of the future lease payments that the Group was obliged to make under a non-cancellable operating lease contract.

19. DEFERRED TAX LIABILITIES

The following is the deferred tax liability recognised and the movement thereon in the current and prior periods.

	In respect of withholding tax on undistributed profits of the PRC subsidiaries	
	HK$'000	HK$'000
At 1 October 2017/2016 (audited)	**1,711**	1,300
Charge to the consolidated statement of profit or loss (note 11)	**14**	108
Currency realignment	**112**	—
Carrying amount at 31 March 2018/2017 (unaudited)	**1,837**	1,408

19. DEFERRED TAX LIABILITIES – *continued*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 March 2018, a deferred tax provision of HK$1,837,000 (30 September 2017 – HK$1,711,000) has been established in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Unused tax losses	**99,506**	97,292
Other temporary differences	**4,104**	3,297
	103,610	100,589

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong and can be carried forward indefinitely.

20. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	Amount HK$
Authorised:		
At 31 March 2017, 30 September 2017 and 31 March 2018	500,000,000	500,000
Issued and fully paid:		
At 1 October 2016	200,000	200
Issue of shares on 17 November 2016 (note (i))	236,800,000	236,800
Issue of shares pursuant to the public offer and placing on 21 November 2016 (note (ii))	63,000,000	63,000
At 30 September 2017 and 31 March 2018	300,000,000	300,000

Notes:

(i) Pursuant to the shareholder's resolution dated 17 November 2016, 236,800,000 ordinary shares were issued and allotted to the immediate holding company, NWC, at par value of HK$0.001 each.

(ii) On 21 November 2016, pursuant to the shareholder's resolution dated 17 November 2016, 63,000,000 ordinary shares ("New Shares") at par value of HK$0.001 each, were issued and allotted by way of the public offer and placing on the Main Board of the Stock Exchange of Hong Kong. In addition to the 63,000,000 New Shares above, NWC placed an additional 27,000,000 ordinary shares ("Sale Shares") at par value of HK$0.001 each at a price of HK$1.50 per share. In summary, 90,000,000 shares, comprising 63,000,000 New Shares and 27,000,000 Sale Shares, representing 30% of the Company's issued and fully paid share capital were offered by way of the public offer (27,000,000 New Shares) and placing (63,000,000 shares comprising 36,000,000 New Shares and 27,000,000 Sale Shares) on the Main Board of the Stock Exchange of Hong Kong. Dealings in the Company's shares on the Main Board of the Stock Exchange of Hong Kong commenced on 21 November 2016.

(iii) All the shares issued during the year ended 30 September 2017 ranked pari passu in all respects with the then existing shares in issue.

21. SHARE PREMIUM

	HK$'000 (Unaudited)
At 1 October 2016	—
Arising from the public offer and placing (note (i))	94,437
Arising from the transactions costs attributable to the public offer and placing (note (ii))	(8,935)
At 31 March 2017, 30 September 2017 and 31 March 2018	85,502

Notes:

(i) As detailed in note 20 above, on 21 November 2016, the Company listed 63,000,000 ordinary shares at par value of HK$0.001 each at a price of HK$1.50 per share on the Main Board of the Stock Exchange of Hong Kong. Of the gross proceeds of HK$94,500,000, HK$63,000 was credited to the Company's share capital and the remaining HK$94,437,000 was credited to the share premium account.

(ii) The transaction costs attributable to the issue of the shares of HK$8,935,000 were deducted from the share premium account.

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants of the Group. Participants may include: any employee (full time or part-time), Director, consultant or adviser of the Group; any substantial shareholder of the Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

On 3 April 2017, the Company granted 7,000,000 share options to Directors, employees and other eligible participants with an exercise price of HK$1.50 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2020. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant. Details of the share options granted are set out in the Group's annual consolidated financial statements for the year ended 30 September 2017.

During the six months ended 31 March 2018 and 2017, no share options were granted, exercised, lapsed or forfeited.

At 31 March 2018, the total number of share options outstanding were 7,000,000 (30 September 2017 – 7,000,000) and the weighted average remaining contractual life was 3,290 days (30 September 2017 – 3,472 days).

Share-based compensation expenses of HK$962,000 were charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2018 (31 March 2017 – HK$nil).

23. RECONCILIATION OF THE NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Six months ended 31 March	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net (decrease)/increase in cash and cash equivalents	**(23,728)**	38,017
Effect of foreign exchange rate changes	**1,662**	(1,575)
Net movement in cash and cash equivalents	**(22,066)**	36,442
Bank borrowings repaid	**6,145**	4,984
Net cash at 1 October	**28,360**	34,774
Net cash at 31 March 2018/2017	**12,439**	76,200
Represented by:		
Cash and cash equivalents	**68,165**	110,898
Interest-bearing bank borrowings - amounts due within one year or on demand	**(55,726)**	(34,698)
	12,439	76,200

24. PLEDGE OF ASSETS

At 31 March 2018, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$114,493,000 (30 September 2017 – HK$113,234,000) comprising overdraft, confidential invoicing, import loans and a term loan. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial, certain corporate guarantees from the Company and, in the case of the confidential invoice facility, an assignment over specific trade receivables. At 31 March 2018, the amount drawn down under the confidential invoice facility was HK$27,770,000 (30 September 2017 – HK$36,763,000), the import loan facility was HK$9,847,000 (30 September 2017 – HK$11,708,000) and the term loan was HK$18,109,000 (30 September 2017 – HK$13,400,000).

25. CAPITAL COMMITMENTS

	31 March	30 September
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Committed but not contracted for:		
Property, plant and equipment	**5,500**	11,630
Contracted but not provided for:		
Property, plant and equipment	**290**	2,552
	5,790	14,182

26. CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (30 September 2017 – HK$nil).

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	31 March 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Audited)
Operating leases which expire:		
Within one year	**10,077**	11,606
In the second to fifth years inclusive	**33,977**	31,024
More than five years	**25,444**	29,493
	69,498	72,123

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 1 year to 8 years (30 September 2017 – 3 months to 8 years) with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the financial statements, the Group entered into the following significant transactions with related parties during the period.

During the six months ended 31 March 2018, the Group supplied goods with a value of approximately HK$924,000 (31 March 2017 – HK$1,641,000) to fellow subsidiaries. The balance outstanding at 31 March 2018, which has been included within amounts due from fellow subsidiaries in the consolidated statement of financial position, is approximately HK$122,000 (31 March 2017 – HK$787,000).

During the six months ended 31 March 2018, the Group purchased plant and equipment from a fellow subsidiary of approximately HK$633,000 (31 March 2017 – HK$nil). The balance outstanding at 31 March 2018 is HK$nil (31 March 2017 – HK$nil).

As part of the process of listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016, the Company paid listing costs of approximately HK$3,829,000 on behalf of NWC. The balance outstanding at 31 March 2017, which was included within amounts due from the immediate holding company in the consolidated statement of financial position, was approximately HK$13,000.

Compensation of the key management personnel of the Group, including Directors' remuneration, is as follows:

	31 March 2018 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Unaudited)
Directors' fees	**450**	387
Salaries, allowances and other benefits	**3,980**	4,012
Retirement benefits scheme contributions	**36**	51
Equity-settled share-based payment expenses (note 22)	**962**	—
	5,428	4,450

29. APPRROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited Interim Financial Statements of the Group were approved and authorised for issue in accordance with a resolution of the Board of Directors on 17 May 2018.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, the interests of the Directors of the Company and their associates in the ordinary shares and underlying ordinary shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange of Hong Kong pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules"), to be notified to the Company and the Stock Exchange of Hong Kong, were as follows:

(i) Long Positions

(a) Ordinary shares of HK$0.001 each of the Company

Name of Directors	Capacity/nature of interest	Number of shares held	Percentage of shareholding
Mr. Simon Nai-cheng Hsu ("Mr. Hsu")	Interest of a controlled corporation (Note)	215,576,000	71.86%
Mr. Hsu	Beneficial owner	366,000	0.12%
Mr. Henry Woon-hoe Lim ("Mr. Lim")	Beneficial owner	250,000	0.08%

(b) Share options

Name of Directors	Capacity/nature of interest	Number of underlying shares of shares options held	Percentage of shareholding
Mr. Hsu	Beneficial owner	500,000	0.17%
Mr. Lim	Beneficial owner	1,500,000	0.50%
Mr. Ho Hon Ching	Beneficial owner	1,000,000	0.33%
Mr. Christopher Pochin Lu	Beneficial owner	300,000	0.10%
Mr. Danny J Lay	Beneficial owner	300,000	0.10%
Ms. Hui Leung Ching Patricia	Beneficial owner	300,000	0.10%

Note:

These shares are held by New Wave Capital Limited ("NWC"), which is a wholly-owned subsidiary of SNH Global Holdings Limited ("SNHGH"), of which all issued shares are in turn held by Mr. Hsu. Therefore, Mr. Hsu is deemed, or taken to be interested in the shares held by NWC for the purpose of the SFO.

DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – *continued*

(ii) Interests in associated corporation

Name of Directors	Name of associated corporation	Capacity/ nature of interest	Number of shares held	Percentage of shareholding
Mr. Hsu	SNHGH	Beneficial owner	5,001	100%
Mr. Hsu	NWC	Interest of a controlled corporation	1	100%

Other than as disclosed above, at 31 March, 2018, neither the Directors, nor any of their associates, had any interests or short positions in any shares, underlying shares, or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND SECURITIES OF THE COMPANY

As at 31 March 2018, the interests or short positions of those persons (other than the Director whose interests are disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number of shares held	Percentage of shareholding
NWC	Beneficial owner	215,576,000	71.86%
SNHGH	Interest of a controlled corporation *(Note 1)*	215,576,000	71.86%
Ms. Ng Mei Yi Diana	Interest of spouse *(Note 2)*	216,442,000	72.15%

Notes:

(1) SNHGH beneficially owns all the issued shares of NWC. Therefore, SNHGH is deemed, or taken to be interested in the shares held by NWC for the purpose of the SFO.

(2) Ms. Ng Mei Yi Diana is the spouse of Mr. Hsu. Accordingly, Ms. Ng Mei Yi Diana is deemed, or taken to be, interested in the shares and underlying shares of the Company which Mr. Hsu is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 March 2018, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the ordinary shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standards set out in the Model Code and there were no events of non-compliance throughout the period under review.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the period under review, the Company complied with all applicable code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Pochin Christopher Lu (Chairman), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2018 have been reviewed by the Audit Committee.

The Interim Financial Statements of the Group for the six months ended 31 March 2018 have been reviewed by the external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group. On 3 April 2017, 7,000,000 share options to subscribe for 7,000,000 ordinary shares of HK$0.001 each in the Company were granted. During the six months ended 31 March 2018 and up to the date of this report, no options were granted, exercised, cancelled, lapsed or forfeited. As at the date of this report, the outstanding number of share options available for issue under the Scheme was 23,000,000, representing 7.7% of the number of the issued shares of the Company.

The movement in the number of share options under the Scheme during the period is as follows:

	Date of grant	Exercise price HK$	Outstanding at 1 October 2017	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2018
Executive Directors							
Mr. Henry Woon-hoe Lim	3.4.2017	1.50	1,500,000	—	—	—	1,500,000
Mr. Ho Hon Ching	3.4.2017	1.50	1,000,000	—	—	—	1,000,000
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3.4.2017	1.50	500,000	—	—	—	500,000
Independent Non-executive Directors							
Mr. Pochin Christopher Lu	3.4.2017	1.50	300,000	—	—	—	300,000
Mr. Danny J Lay	3.4.2017	1.50	300,000	—	—	—	300,000
Ms. Hui Leung Ching Patricia	3.4.2017	1.50	300,000	—	—	—	300,000
Other eligible participants	3.4.2017	1.50	3,100,000	—	—	—	3,100,000
			7,000,000	—	—	—	7,000,000
Weighted average exercise price			HK$1.50	—	—	—	HK$1.50

The options granted on 3 April 2017 (the "Valuation Date") with an exercise price of HK$1.50 per share, are vested for a period of three years immediately after the date of the grant by one-third each anniversary and will be fully vested on 3 April 2020. Options granted are exercisable after one year but not exceeding ten years from the date of the grant. The first tranche of options granted on 3 April 2017 has been vested on 3 April 2018, being the first anniversary of the date of grant.