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匯聚科技有限公司 TIME Interconnect Technology Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1729)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

Financial and Statistical Highlights

For the six months ended 30 September	2018 (unaudited)	2017 (unaudited)	Change
Operating results (HK\$ million)			
Revenue	835.6	618.4	35.1%
Gross profit	184.4	143.0	29.0%
Total profit for the period — Adjusted (Note)	88.4	83.6	5.7%
Total profit for the period	88.4	80.0	10.5%
Earnings per share (Hong Kong cents) — Adjusted (Note)	4.8	5.8	–17.2%
Earnings per share (Hong Kong cents)	<u>4.8</u>	<u>5.6</u>	<u>–14.3%</u>
Key ratios (%)			
Gross profit margin	22.1	23.1	–1.0 pt
Net profit margin — Adjusted (Note)	10.6	13.5	–2.9 pts
Net profit margin	10.6	12.9	–2.3 pts
EBITDA/Revenue — Adjusted (Note)	14.0	17.8	–3.8 pts
EBITDA/Revenue	<u>14.0</u>	<u>17.3</u>	<u>–3.3 pts</u>

Notes:

Total profit, net profit margin and EBITDA are calculated by excluding the listing expenses and imputed financial guarantee income.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Time Interconnect Technology Limited (the “**Company**”) is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2018 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended	
		30.9.2018	30.9.2017
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	835,570	618,415
Cost of goods sold		(651,134)	(475,465)
Gross profit		184,436	142,950
Other income		3,419	774
Other gains and losses		(11,947)	4,232
Distribution and selling expenses		(11,881)	(9,850)
Administrative expenses		(30,850)	(13,626)
Research and development expenses		(25,166)	(19,582)
Listing expenses		—	(11,975)
Imputed financial guarantee income		—	8,429
Finance costs		(1,101)	(1,004)
Profit before taxation	5	106,910	100,348
Taxation	6	(18,510)	(20,280)
Profit for the period		88,400	80,068
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(16,636)	4,107
Total comprehensive income for the period		71,764	84,175
Earnings per share — Basic and diluted (HK cents)	8	4.80	5.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	NOTES	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		100,261	110,059
Deposits paid for acquisition of property, plant and equipment		1,812	1,607
Rental deposits		909	998
		<u>102,982</u>	<u>112,664</u>
Current assets			
Inventories		154,049	195,273
Trade and other receivables	9	332,627	277,325
Contract assets		14,211	—
Pledged bank deposits		18,474	18,021
Bank balances and cash		343,835	279,623
		<u>863,196</u>	<u>770,242</u>
Current liabilities			
Trade and other payables	10	388,941	364,684
Contract liabilities		424	—
Taxation payable		22,768	17,504
Dividend payable		18,400	—
Unsecured bank borrowings		16,382	41,525
		<u>446,915</u>	<u>423,713</u>
Net current assets		<u>416,281</u>	<u>346,529</u>
Total assets less current liabilities		<u>519,263</u>	<u>459,193</u>
Non-current liability			
Deferred tax liabilities		1,569	471
		<u>517,694</u>	<u>458,722</u>
Capital and reserves			
Share capital		18,400	18,400
Reserves		499,294	440,322
Total equity		<u>517,694</u>	<u>458,722</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL

Time Interconnect Technology Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 15 June 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The immediate holding company of the Company is Time Interconnect Holdings Limited (“**Time Holdings**”) which was incorporated in the British Virgin Islands (“**BVI**”). The ultimate holding company is Linkz Industries Limited (“**Linkz Industries**”), which was incorporated in Hong Kong.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 February 2018 (the “**Listing**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) while the functional currency of the Company is United States dollars (“**US\$**”). The reason for selecting HK\$ as the Company’s presentation currency is that the directors of the Company consider that it is more relevant to the users of the condensed consolidated financial statements as the Company listed its shares on the Stock Exchange.

2. BASIS OF PREPARATION AND PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The companies now comprising the Group underwent a group reorganisation (the “**Group Reorganisation**”) in preparation for the initial listing of the shares of the Company on the Stock Exchange. The Group is under the common control by Linkz Industries. Prior to the Group Reorganisation, Time Interconnect HK, the operating subsidiary of the Group, was controlled by Linkz Industries. The Group resulting from the Group Reorganisation continued to be controlled by Linkz Industries and is regarded as a continuing entity. Major steps of the Group Reorganisation include the following:

- (1) On 29 May 2017, Time Holdings (acted as the immediate holding company of the Company and does not form part of the Group) was incorporated in the BVI with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, one share was allotted and issued at par to Linkz Industries in cash.
- (2) On 29 May 2017, Time Investment was incorporated in the BVI with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On the same date, one share was allotted and issued at par to Time Holdings in cash.
- (3) On 6 June 2017, Mr. Lo Chung Wai Paul (“**Mr. Paul Lo**”) transferred the legal interest of one share in Time Interconnect HK to Linkz Industries at nil consideration.
- (4) On 6 June 2017, Linkz Industries and Time Investment entered into a sale and purchase agreement, pursuant to which Time Investment acquired 200,000 shares in Time Interconnect HK (representing the entire issued share capital of Time Interconnect HK) from Linkz Industries in consideration of which (i) Time Investment allotted and issued 8,649 shares to Time Holdings and (ii) Time Holdings allotted and issued 9,999 shares to Linkz Industries.

- (5) Datatech Investment Inc. (“**Datatech Investment**”) (acted as a shareholder of the Company and does not form part of the Group) was incorporated on 19 May 2017 in the Seychelles with authorised share capital of 1,000,000 shares of US\$1 each. One fully paid ordinary share of Datatech Investment, representing the entire issued share capital of Datatech Investment, was allotted and issued at par to Mr. Kwong Ping Man (“**Mr. Kwong**”), an independent third party, on 19 May 2017.
- (6) On 6 June 2017, Time Investment and Datatech Investment entered into a subscription agreement, pursuant to which Time Investment allotted and issued and Datatech Investment subscribed a total of 1,350 shares in Time Investment (representing 13.5% of the issued share capital of Time Investment), at a total consideration of HK\$40,500,000. The consideration was settled in cash. Such transactions were completed on 8 June 2017. After the aforesaid transactions, Time Holdings and Datatech Investment became shareholders of Time Investment with respective shareholdings of 8,650 and 1,350 shares in Time Investment, representing 86.50% and 13.50% of the issued share capital of Time Investment, respectively.
- (7) On 15 June 2017, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully paid share was allotted and issued to the initial subscriber of the Company, which was subsequently transferred to Time Holdings on 15 June 2017 at nominal consideration.
- (8) On 19 June 2017, Time Holdings and Datatech Investment, Linkz Industries, Mr. Paul Lo, Mr. Kwong and the Company, entered into a share swap deed, pursuant to which the Company acquired 8,650 and 1,350 shares in Time Investment (together representing the entire issued share capital of Time Investment) from Time Holdings and Datatech Investment, and as consideration, the Company allotted and issued 8,649 and 1,350 shares, credited as fully paid, to Time Holdings and Datatech Investment, respectively. After the aforesaid transactions, the Company became the holding company of Time Investment, Time Interconnect HK and its subsidiary, namely, Huizhou TIME Wire Products Limited. Time Holdings and Datatech Investment became the shareholders of 86.50% and 13.50% of the issued share capital of the Company with shareholdings of 8,650 and 1,350 shares in the Company, respectively.

The Group resulting from the Group Reorganisation continued to be controlled by Linkz Industries and is regarded as a continuing entity. Accordingly, the consolidated statement of financial position of the Group as at 1 April 2017 prior to completion of the Group Reorganisation has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date taking into account their respective dates of incorporation/establishment or their respective dates of disposal whichever is applicable.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than the new accounting policy disclosed below and changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

The Group has applied the following new accounting policy for share-based payment arrangements during the current interim period.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 14 to the condensed consolidated financial statements of the interim report.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) -Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from sales of cable assembly products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A point in time revenue recognition

The revenue of the Group is recognised at a point in time except for revenue from certain sales, which are recognised over time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of goods to the Group's customers in connection with the production of cable assembly products are recognised when the goods are physically passed to the customers, which is the point of time when the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods upon customer acceptance.

Over time revenue recognition

For certain sales, the revenue is recognised over time when the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's effects or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or service.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

3.1.2 Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated profits at 1 April 2018:

	Notes	Impact of adopting HKFRS 15 at 1 April 2018 HK\$'000 (Decrease) increase
Accumulated profits		
Revenue from sales of cable assembly products recognised over time	(a)	14,073
Recognition of contract cost charged	(a)	(7,933)
Tax impact	(a)	(1,013)
Impact at 1 April 2018		<u>5,127</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

Impacts on assets, liabilities and reserve as at 1 April 2018

		Carrying amount previously reported at 31 March 2018	Impacts of adopting HKFRS 15	Carrying amount under HKFRS 15 at 1 April 2018
	Notes	HK\$'000	HK\$'000	HK\$'000
Contract assets	(a)	—	14,073	14,073
Inventories	(a)	195,273	(7,933)	187,340
Trade and other payables	(b)	364,684	(86)	364,598
Contract liabilities	(b)	—	86	86
Deferred tax liabilities	(a)	471	1,013	1,484
Accumulated profits	(a)	247,654	5,127	252,781

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2018

Six months ended 30 September 2018 (unaudited)				
		As reported	Adjustments	Amounts without application of HKFRS 15
	Notes	HK\$'000	HK\$'000	HK\$'000
Revenue	(a)	835,570	(14,211)	821,359
Cost of goods sold	(a)	651,134	(7,602)	643,532
Taxation	(a)	18,510	(1,091)	17,419
Profit for the period	(a)	88,400	(5,518)	82,882
Total comprehensive income for the period	(a)	71,764	(5,518)	66,246

The following table summarises the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

		As reported	Adjustments	Amounts without application of HKFRS 15
	Notes	HK\$'000	HK\$'000	HK\$'000
Contract assets	(a)	14,211	(14,211)	—
Inventories	(a)	154,049	7,602	161,651
Trade and other payables	(b)	388,941	424	389,365
Contract liabilities	(b)	424	(424)	—
Deferred tax liabilities	(a)	1,569	(1,091)	478
Accumulated profits	(a)	322,781	(5,518)	317,263

Notes:

- (a) The Group's contracts with certain customers for manufacturing of cable assembly products are tailor-made based on customers' specification with no alternative use to the Group. Taking into account the contract terms, the legal and regulatory environment, some of the contracts provide the Group enforceable right to payment for performance completed to date and hence should be recognised over time upon application of HKFRS 15. As at 1 April 2018, HK\$7,933,000, HK\$1,013,000 and HK\$5,127,000 have been adjusted from inventories, deferred tax liabilities and opening accumulated profits respectively with corresponding adjustment of HK\$14,073,000 to contract assets. As at 30 September 2018, HK\$7,602,000 and HK\$1,091,000 would have been adjusted to inventories and deferred tax liabilities, respectively with corresponding adjustment of HK\$14,211,000 to contract assets, and HK\$14,211,000, HK\$7,602,000, HK\$1,091,000, HK\$5,518,000 and HK\$5,518,000 would have been adjusted from revenue, cost of sales, taxation, profit for the period and total comprehensive income for the period respectively for the six months ended 30 September 2018 without the application of HKFRS 15.
- (b) As at 1 April 2018, advances from customers of HK\$86,000 in respect of purchase orders of goods placed with the Group previously included in the trade and other payables were reclassified to contract liabilities as the Group has obligations to transfer goods or services to its customers for which the Group has received consideration from the customers. As at 30 September 2018, advances from customers of HK\$424,000 included in trade and other payables would have been reclassified from contract liabilities without the application of HKFRS 15.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transitional provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually based on internal credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

Impairment under ECL

In the current period, the Group has applied the HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics, and there has been no significant increase in credit risk since initial recognition.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No additional impairment allowance was recognised at 1 April 2018.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group in respect of the manufacturing and sales of cable assembly products. For the purposes of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies applied by the Group. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

The Group's revenue is fixed price and short term contracts. Revenue amounting to HK\$294,701,000 for the six months ended 30 September 2018 is recognised over time and the remaining revenue is recognised at a point in time.

Revenue from its major products

The following is an analysis of the Group's revenue from its major products:

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Optical fibres	380,446	341,540
Copper	455,124	276,875
	835,570	618,415

Geographical information

Information about the Group's revenue from external customers presented based on the geographical location of the base of the customers is as follows:

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC	475,875	303,240
The United States of America	197,250	226,245
Netherlands	119,998	40,778
Hong Kong	12,167	14,247
Others	30,280	33,905
	<u>835,570</u>	<u>618,415</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	8,835	5,392
Interests on bank borrowings	1,101	1,004
Gain on disposal of property, plant and equipment	—	(400)
Net foreign exchange loss (gain)	11,947	(3,832)
Bank interest income	(764)	(88)
Written off of inventories	3,054	2,486
	<u>30,541</u>	<u>14,562</u>

6. TAXATION

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	9,541	10,711
PRC Enterprise Income Tax ("EIT")	12,786	9,522
	<u>22,327</u>	<u>20,233</u>
Overprovision of tax in prior years:		
PRC EIT	(3,824)	—
Deferred taxation charge	7	47
	<u>18,510</u>	<u>20,280</u>

(i) **Hong Kong Profits Tax**

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

(ii) **PRC EIT**

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

7. DIVIDENDS

During the current interim period ended 30 September 2018, a final dividend of HK1 cent per ordinary share in respect of the year ended 31 March 2018 was declared to the shareholders of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to HK\$18,400,000 (six months ended 30 September 2017: nil). Subsequent to the end of reporting period, the dividend is paid.

On 23 November 2018, the board of directors of the Company has resolved to declare an interim dividend of HK1 cent per ordinary share totalling HK\$18,400,000 for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

8. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating		
basic and diluted earnings per share (profit for the period)	88,400	80,068
	30.9.2018	30.9.2017
	'000	'000
Weighted average number of shares for the purpose of calculating		
basic and diluted earnings per share	1,840,000	1,443,685

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 September 2017 has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue (as defined in Note 13 to the condensed consolidated financial statements of the interim report) have been effective from 1 April 2017.

The computation of diluted earnings per share for the period ended 30 September 2018 does not assume the exercise of the Company's share options because the adjusted exercise price of the share options (after the adjustment of the fair value of the unvested share options) was higher than the average market prices of shares of the Company during the period ended 30 September 2018.

9. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of trade and bills receivables presented based on the invoice date, which approximated the revenue recognition date:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
0 to 30 days	111,787	127,914
31 to 60 days	97,824	37,658
61 to 90 days	81,199	55,370
Over 90 days	14,304	16,750
	305,114	237,692

The Group allows a credit period ranging from 30 to 120 days to its trade customers.

10. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
0 to 30 days	132,756	143,803
31 to 60 days	87,884	43,978
61 to 90 days	71,939	53,179
Over 90 days	56,584	87,321
	349,163	328,281

The credit period granted by suppliers ranges from 30 to 120 days.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is a well-established supplier of custom cable assemblies with more than 20 years of experience in the cable assembly industry. The Group primarily manufactures and supplies a wide variety of copper and optical fibre cable assemblies which are produced in accordance with the specifications and designs of individual customers. The products of the Company are used by a number of established PRC and international customers in a variety of market sectors including telecommunications, data centre, industrial and medical equipment. Following the Company's successful listing on the Main Board of the Stock Exchange on 13 February 2018, the Group has continuously maintained brilliant business performance and has achieved encouraging results for the Reporting Period.

The Company has fully utilized its listing status with an aim to further improve the Company's financial position and overall competitiveness. The Company is devoted to gain the market's recognition of its competitive advantages in terms of the Group's innovation, strong research and development capabilities as well as its financial capacity to invest in advanced technology relating to development and production of custom cable assemblies. Such efforts have been well recognized with the Company garnering two supply chain awards — “Excellent Supply Performance Award” and “Excellent Digital Collaboration Award” recently from its major telecommunication customer with the superior services delivered in the Reporting Period. Going forward, the Company is confident in maintaining its excellent performance and strives to create fruitful returns to its investors.

In this section, the business review and a discussion on the financial performance of the Group for the Reporting Period is presented.

BUSINESS REVIEW

Notwithstanding the overall slowdown on the growth of the global economy, the Group reported solid operating results with increased business dealings with its existing customers. This recognized the Group's efforts in expanding its existing customer base by developing relationships with leading international customers and improving its research and development (“**R&D**”) capabilities to elevate the Company's overall competitiveness. The Directors firmly believed that the Company's market share within the communication equipment and data centre industry has increased with its leading edged technologies and well-established business fundamentals. To seize the market opportunities as well as to outperform the Company's potential, the Company has launched more next generation products to form a product mix of diversified products and solutions. The Company is committed to improving its competitiveness and developing cutting-edge technology to solidify its market-leading position and further developing in-house intellectual property, so as to form a strong foundation for future growth.

The Company has continued its success in expanding its customer base and launches of new products. During the Reporting Period, the Company has successfully captured new customers in the PRC market and further enhanced the business relationships with existing international customers. The Company has also started shipment of new products that are targeting towards 5G next-generation networking technology areas. In the meantime, the Company has stepped up its efforts in the R&D in the next generation technology by expanding its resources such as equipment and staff.

REVENUE

The Group's revenue for the Reporting Period significantly increased by 35.1% to HK\$835.6 million from HK\$618.4 million in the previous financial period. All of the Group's business sectors have different degrees of increase in revenue, and the increase in revenue was mainly driven by the higher sales in telecommunication, data centre and medical equipment sectors.

Six-month ended 30 September

Market Sector	2018		2017		Increase	
	HK\$' million	%	HK\$' million	%	HK\$' million	%
Telecommunication	391.1	46.8%	278.0	44.9%	113.1	40.7%
Data centre	323.7	38.7%	281.3	45.5%	42.4	15.1%
Medical equipment	74.8	9.0%	25.7	4.2%	49.1	191.1%
Industrial equipment	46.0	5.5%	33.4	5.4%	12.6	37.7%
Total	835.6	100.0%	618.4	100%	217.2	35.1%

For the telecommunication sector, it recorded an increase of revenue from HK\$278.0 million in the previous financial period to HK\$391.1 million for the Reporting Period, representing an increase of 40.7%. Such increase was mainly attributable to the growing demand for new 5G products from its major customers in this sector, which remained as the main sales growth driver of the Group's revenue in terms of amount and percentage, contributing to 52.1% of the total increase in the Group's revenue.

The revenue of the data centre sector still maintained a high shipment level following by the last financial period, which has further increased by 15.1% to HK\$323.7 million during the Reporting Period as compared to HK\$281.3 million for the previous financial period.

The revenue of medical equipment sector achieved a significant growth rate of 191.1% from HK\$25.7 million for the previous financial period to HK\$74.8 million for the Reporting Period. Such represented the largest growth rate of the Group's revenue and the increase was mainly attributable to the robust demand for products from existing and new customers.

The increase of revenue generated from the industrial equipment sector was at 37.7%, from HK\$33.4 million for the previous financial period to HK\$46.0 million for the Reporting Period.

GROSS PROFIT/MARGIN

Gross profit for the Reporting Period was HK\$184.4 million, an increase of HK\$41.4 million or 29.0% compared to the HK\$143.0 million recorded in the previous financial period. Gross profit margin slightly decreased from 23.1% to 22.1% due to the increasing cost of materials as percentage of the Group's revenue in the Reporting Period caused by the change in product mix. As for the direct labour costs and manufacturing overheads as a percentage of revenue, they were lower than the same period last year as the Group continued to improve production yield and efficiency through automation and process improvement.

OPERATING PROFIT/MARGIN

Operating profit (excluding the listing expenses, imputed guarantee income and finance costs) for the Reporting Period was HK\$108.0 million, which represented an increase of HK\$3.1 million as compared with the previous financial period. Operating profit margin was recorded at 12.9% for the Reporting Period compared to 17.0% in the previous financial period. The ratio of EBITDA (excluding the listing expenses and imputed financial guarantee income) to revenue decreased to 14.0% from 17.3% in the previous financial period.

Other income comprising of primarily bank interest income, government grants, handling income was in aggregate HK\$3.4 million for the Reporting Period, representing an increase of 341.7% as compared with the previous financial period due to increase of government grants.

Other gains and losses were recorded a loss of HK\$11.9 million for the Reporting Period compared to a gain of HK\$4.2 million for the previous financial period. Such loss was mainly due to the exchange loss from RMB depreciation at HK\$11.9 million, which was attributable to the Group's operations in the ordinary course of business, as compared to an exchange gain of HK\$3.8 million in the previous financial period.

The total operating expenses were HK\$67.9 million, an increase of HK\$24.8 million over the last financial period. Total operating expenses as a percentage of Group's revenue slightly increased from 7.0% to 8.1%.

Distribution and selling expenses increased from HK\$9.9 million to HK\$11.9 million, an increase of 20.2% compared with the previous financial period. It was mainly attributable to the increase of staff cost, credit and marine insurance, freight and transportation cost. As a percentage of Group's revenue, distribution and selling expenses decreased from 1.6% to 1.4%.

Administrative expenses increased from HK\$13.6 million to HK\$30.9 million over the same period last year. The increase was mainly due to the increase in staff cost, auditor's remuneration and legal and professional fees. Staff cost increased mainly due to the increase of headcount, salary increments and share option expenses. The legal and professional fees (including compliance adviser, legal adviser, internal control, company secretary and share registrars) increased in accordance with the listing requirements. Administrative expenses as a percentage of revenue increased from 2.2% to 3.7% for the Reporting Period.

During the Reporting Period, the research and development expenses were HK\$25.2 million, which represented an increase of 28.5% compared with the previous financial period. It was mainly attributable to the increase of staff cost, materials cost and testing fee. Research and development expenses as a percentage of Group's revenue was recorded at 3.0%, slightly decreased from 3.2% in the last financial period. The Company continuously increased its efforts in R&D by expanding the team to further enhance its R&D capabilities in respect of launching new products and technologies.

IMPUTED FINANCIAL GUARANTEE INCOME

Imputed financial guarantee income represents the amortisation of its financial guarantee liabilities arising from the financial guarantees provided by the Group to Linkz Industries as well as its subsidiaries of Linkz Industries (other than the Group). Imputed financial guarantee income was recognised in profit or loss over the guarantee period on a straight-line basis. As the Group ceased to provide financial guarantee to Linkz Industries and its subsidiaries since August 2017, there is no more imputed financial guarantee income or loss since September 2017.

FINANCE COSTS

The finance costs mainly represent bank loan interest for bank borrowings. For the Reporting Period, the finance costs was recorded at HK\$1.1 million against HK\$1.0 million for the last financial period.

TOTAL PROFIT FOR THE SIX-MONTH ENDED 30 SEPTEMBER 2018 AND EARNINGS PER SHARE

Total profit of the Group for the Reporting Period was HK\$88.4 million, an increase of HK\$8.4 million as compared to the last financial period. By excluding the listing expenses and imputed financial guarantee income, net profit margin was recorded at 10.6% as compared to 13.5% in the previous financial period.

Taxation represents the tax expenses arising from the assessable profit generated by the Group in Hong Kong and PRC. Taxation was provided at the respective tax rate of 16.5% and 25% based on the profit from operating activities. Taxation charges decreased from HK\$20.3 million in the last financial period to HK\$18.5 million in the Reporting Period. The effective tax rate decreased from 20.2% to 17.3%, due to overprovision of tax in prior years amounting to HK\$3.8 million, which represented an additional tax deduction on R&D expenditure claim in PRC.

Basic and diluted earnings per share for the Reporting Period were HK4.80 cents as compared to HK5.55 cents in the previous financial period.

DIVIDENDS

The Board is pleased to declare an interim dividend of HK1 cent per share, amounting to a total of approximately HK\$18.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' funds as at 30 September 2018 were approximately HK\$517.7 million, which represented an increase of 12.9% from HK\$458.7 million as at 31 March 2018. The increase was mainly due to the profit attributable to equity shareholders for the Reporting Period. On the other hand, due to the Renminbi depreciation, the difference in the foreign currency exchange rate from converting Renminbi into Hong Kong dollars as recorded in the financial statements of the PRC subsidiary decreased by HK\$16.6 million. As a result, shareholders' funds per share increased from HK\$0.25 to HK\$0.28.

As at 30 September 2018, the Group had bank balances and cash of HK\$343.8 million, representing an increase of 23.0% as compared to HK\$279.6 million as of 31 March 2018. It was mainly due to the increase in cash generated from operating activities during the Reporting Period. As at 30 September 2018, the Group's bank loan was HK\$16.4 million, a decrease of 60.5% from HK\$41.5 million as of 31 March 2018. The Group maintained sufficient banking facilities and did not have any outstanding long-term bank borrowings outstanding as at 30 September 2018.

CHARGE ON GROUP ASSETS

Save for the bank deposits that were pledged in order to secure the bills payables issued by the bank under the general banking facilities granted to us, as at 30 September 2018, banking facilities extended to the Group was not secured with the Group's assets. Pledged bank deposits amounted to HK\$18.5 million and HK\$18.0 million as at 30 September 2018 and 31 March 2018 respectively.

GEARING RATIO

Gearing ratio is calculated as total debt divided by total equity and multiplied by 100%. As at 30 September 2018, the Group's gearing ratio was 3.2% as compared to 9.1% as of 31 March 2018.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the Main Board of Stock Exchange on 13 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2018, the Company's issued share capital was HK\$18.4 million and the number of its issued ordinary shares were 1,840,000,000 of HK\$0.01 each.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi and Euro. The Company's management monitors the risk of related foreign exchange risk exposure by entering into forward foreign exchange contracts. Foreign currency exchange rates are volatile and may have an impact on the Group's results. The Company's management evaluates its foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

TREASURY POLICIES

As an internal treasury policy, the Group continues to implement a prudent policy on financial management policy and does not participate in any high-risk speculative activities. However, the Company's management monitors exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Save for the net proceeds from the Listing, the Group will also monitor and maintain a Hong Kong dollar cash balance in order to minimise the need for unnecessary foreign exchange conversion which may result in exchange loss.

The reporting currency of the Company is presented in Hong Kong Dollars, as the Directors consider that it is more relevant to the users of the condensed consolidated financial statements as the Company listed its shares on the Stock Exchange.

CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND USE OF NET PROCEEDS FROM LISTING

During the Reporting Period, the Company was committed to expanding its production capacity by acquiring a new production factory, purchasing of production equipment and upgrading of existing production and quality equipment, which is in line with the use of proceeds from the Listing that was set out in the prospectus of the Company dated 30 January 2018 (“**Prospectus**”). The net proceeds from the Listing of the Company were HK\$126.6 million (after deducting underwriting fees and related expenses). The use of the net proceeds from the Listing as at 30 September 2018 was approximately as follows:

Use of proceeds	Percentage of net proceeds %	Net proceeds HK\$'million	Amount utilised HK\$'million	Amount remaining HK\$'million
New production facility	70.0%	88.6	—	88.6
R&D equipment	6.8%	8.6	0.7	7.9
Production machinery	5.9%	7.5	5.0	2.5
Automation process	12.6%	15.9	1.1	14.8
Marketing development	1.5%	1.9	—	1.9
General working capital	3.2%	4.1	—	4.1
Total	100.0%	126.6	6.8	119.8

As of 30 September 2018, the Group has contracted but not provided for capital commitments in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and a company holding land and buildings amounted to approximately HK\$170.8 million.

As of 30 September 2018, the Group had not provided any form of guarantee for any company outside the Group and has not been involved in any material legal proceedings for which provision for contingent liabilities was required.

CAPITAL EXPENDITURE

For the Reporting Period, the Group invested HK\$8.5 million in the purchase of tangible assets including machinery and equipment, leasehold improvements, office equipment, as well as the improvement of manufacturing working environment. All of these capital expenditures were financed from internal resources.

EMPLOYEE

As of 30 September 2018, the total headcount for the Company was approximately 1,955 employees (30 September 2017: approximately 1,903). Fair and competitive remuneration package and benefits are offered to employees as well as discretionary bonuses and share option. Staff related costs for the Reporting Period were approximately HK\$99.9 million, as compared to approximately HK\$73.2 million in the last financial period.

OUTLOOK

The Sino-U.S. trade war has impacted the world as well as China's domestic economy. Though the Chinese government has adopted an active policy of expanding domestic demand, the global economy in general appears to be on a downward trend, at least in the short term. Under such occasion, the PRC exporters are exposed to considerable difficulties with domestic capital investments being negatively restricted. With the increasing demand from telecommunication, data centre and medical equipment sectors, the Group has timely seized the business opportunities to reap the benefits but however, the overall development of the Group has still inevitably been affected by the slowdown of economic growth in the PRC. In order to minimise the impacts of Sino-U.S. trade war, the Group has adopted certain actions to defeat the potential risks. Benefited from the further development in the 5G, the growing trend of big data processing and the increase in production capacity, the Group remains confident in the prospects of the cable assembly business.

For the six-month period ended 30 September 2018, shipment of new 5G products amounted to approximately HK\$170 million. The Directors are of the view that new technologies such as the 5G and the growing trend of big data processing will both drive the demand of building new hardware that requires the cable assembly products. According to the report with the title "China is poised to win the 5G race" published by Ernst & Young in June 2018 (the "**5G Report**"), network equipment manufacturers are very confident that 5G will become a reality by 2019 and 5G market could account for RMB1.1 trillion or 3.2% of the PRC's entire gross domestic product in 2025, generating 8 million jobs and adding RMB2.9 trillion in economic value by 2030. As suggested in the 5G Report, the PRC has already invested heavily on new technologies such as artificial intelligence (AI), connected cars and big data analytics, as part of the strategic push from the national plan. Embracing 5G will facilitate the expansion of "super-connected era" and the fusion of new technology and real economy. The Directors are optimistic about the future development in the telecommunication sector and data centre sector with the increasing customer demands for the Group's products and the enlarged production capacity.

In respect of the medical equipment sector, revenue is expected to rise in the financial year 2019, which is mainly led by increasing orders from existing customers and new customers increase. The Directors expect the demand for medical cable assemblies to further sustain due to a number of factors, such as rising world population, aging population, increasing rates of chronic diseases, people's improving health awareness, better healthcare at home, higher healthcare aspirations and disposable incomes in developing economies. The Group will continuously expand its R&D team so as to enhance the R&D capabilities in respect of launching such medical-grade products and technologies.

With the impacts of the diplomatic policies and crises of various countries, both the domestic and the global economies have become unstable, in particular the trade tension between the US and China. Heavy additional tariffs have seriously negative impacted in different industries and in different aspect. Revenue of industrial equipment sector becomes difficult to predict, the Group will pay close attention to changes in relevant circumstances. The Group will try its best to grasp different business opportunities in order to minimise the risks and uncertainties involved in the unstable economies.

As for the new businesses, the Group envisages its various sectors will steadily grow to become significant businesses, driven by the advent of its core technologies. All of these businesses will serve as catalysts for its progress and growth. The Group has developed multi-products strategy and strengthened its scope of services to its global customers.

As disclosed in the Prospectus, the Company planned to look for more space with production plant imminently to meet with the increasing sales orders placed by the customers. After several visit and investigated all the potential factories for sale, the Directors finally agreed to acquire a parcel of industrial land with two industrial buildings (the “**Target Property**”) of Huizhou Light Engine (94% equity interest owned by United Luminous, which in turn is wholly owned by Mr. Paul Lo, the Chairman, a non-executive Director and a controlling shareholder of the Company) at the consideration of HK\$166.8 million. Such acquisition has been proposed and approved at the extraordinary general meeting by the Independent Shareholders on 24 September 2018. The Target Property was built in 2014 and is equipped with all basic required facilities. It is located about 1.2 km away from the Group’s existing Huizhou factory, and allow the local management to oversee the operations of the two factories efficiently. Such acquisition will increase the production floor area by approximately 34,200 square metres, which would offer more than 120% of the increased production capacity. The Directors expect that the Target Property can provide sufficient space which would add stability to the Group’s sustainable development in medium term. The Group plans to utilise the enlarged capacity by stages within three years, 24 production lines will be schedule installed in the coming 12 months. The Directors plan to utilise the new production capacity for telecommunication sector, data centre sector and medical equipment sector in response to the market demand, driven by the advancement in technology such as the 5G and impact of digitalisation.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the undertaking of the reorganization in preparation for the Listing as more particularly described in the Prospectus, the Group did not have any significant investments held, material acquisition or disposal of subsidiaries and associations for the Reporting Period. There is no other plan for material investments or capital assets for the Reporting Period.

MATERIAL EVENT SINCE THE END OF THE FINANCIAL PERIOD

Apart from the “Future Plans and Use of Proceeds” as set out in the Prospectus, there has been no other important event affecting the Group since 30 September 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2018.

SHARE OPTION SCHEMES

The Company conditionally adopted a share option scheme on 24 January 2018 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Scheme are set forth in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix IV to the Prospectus.

A total of 88,992,000 share options were granted on 24 August 2018 (the “**Date of Grant**”) under the Scheme with an exercise price of HK\$0.349. Basis of determining the exercise price of HK\$0.349 per shares was the higher of: (i) the closing price of HK\$0.34 per shares as quoted on the Stock Exchange on the Date of Grant; (ii) the average closing price of HK\$0.349 per shares as quoted on the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.01 per share.

CORPORATE GOVERNANCE PRACTICE

The Directors are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Company has fully complied with the CG Code during the six months ended 30 September 2018.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 24 January 2018. The chairman of the Audit Committee is Mr. Chan Chung Shun Eric, the independent non-executive Director, and other members included Mr. Ho Hin Shun and Mr. Luk Wai Shing, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company’s website.

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

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, the interim report and the interim results announcement of the Group for the six months ended 30 September 2018, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

CLOSURES OF REGISTER OF MEMBERS

In order to qualify for the entitlement to the proposed interim dividend, the register of members of the Company will be closed from Monday, 10 December 2018 to Wednesday, 12 December 2018, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 December 2018. The proposed interim dividend is expected to be paid on or before Tuesday, 8 January 2019.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2018 are unaudited, but have been reviewed 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 Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu whose unmodified review report is set out on the interim report. The interim results of the Group for the six months ended 30 September 2018 have also been reviewed by the Audit Committee.

APPRECIATION

The Company would like to thank the Group's customers, suppliers, business partners for their support. Also, the Company would like to offer its highest gratitude to its shareholders for their devotion and to the Group's employees for their loyalty and contributions made during the period.

By order of the Board
Time Interconnect Technology Limited
Cua Tin Yin Simon
Executive Director and Chief Executive Officer

Hong Kong, 23 November 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cua Tin Yin Simon and Mr. Wong Chi Kuen, one non-executive Director, namely Mr. Lo Chung Wai Paul and three independent non-executive Directors, namely Mr. Ho Hin Shun, Mr. Luk Wai Shing and Mr. Chan Chung Shun Eric.