ANNUAL REPORT 2017

PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1611

2018

Transformation Year

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

REGISTERED OFFICE
3rd Floor, J&C Building
PO Box 362
Road Town, Tortola
BVI VG 1110

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Flat/RM 1603A, 16/F, Tower 2, Nina Tower
8 Yeung Uk Road, Tsuen Wan
Hong Kong
Tel: (852) 3166 8282, Fax: (852) 3166 8299
Website: www.pantronicshk.com

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited

BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW
King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR
BDO Limited

COMPLIANCE ADVISER
Octal Capital Limited
802-805, 8th Floor
Nan Fung Tower
88 Connaught Road Central
Hong Kong

COMPANY SECRETARY
Mr. Som Wai Tong Ivan

On behalf of the board of Directors (the "Board") of Pantronics Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 30 September 2017.

Fiscal 2017 has been a year of transformation for our Group. Following our successful listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016, we are now heavily involved in the relocation of our manufacturing facilities to a self-contained leasehold facility in Guangming New District, Shenzhen, the PRC.

With a purpose-built facility, stream-lined and efficient production facilities, new plant and equipment and a state of the art manufacturing capability, the relocation is a springboard to revolutionising 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.

The projected outlay on our new facility is approximately HK$62.5 million, of which HK$38.4 million has been spent at the reporting date. Furthermore, as well as capital investment, we have restructured our sales and marketing team and are investing in highly-competent well-trained employees to promote and expand our brand presence.

The result for fiscal 2017 includes none of the benefits that will be derived from our new production facility. Rather, it includes the adverse impact of the production facility move, including relocation costs, duplicate rental costs and parallel production run costs. However, despite the one-time costs that we have witnessed this year, encouragingly we have experienced a 6.0% increase in revenue compared to last year with increased sales to our largest customer and the launch of new products to complement and increase our product base.

Given the timing of our relocation, which is scheduled for completion in the second quarter of fiscal 2018, we do not anticipate enjoying in full the fruits of all our efforts in fiscal 2018. We have however, laid the foundations upon which we can make a difference, the impact of which will make us more competitive in the medium to long-term, more able to react in a fast-paced global economy and ready to take on new challenges that come our way.

On behalf of the Board, I would like to thank all of those who have contributed to our success and 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
18 December 2017

Management Discussion and Analysis

BUSINESS OVERVIEW

On 21 November 2016, the Company was listed on the Main Board of the Stock Exchange of Hong Kong, a significant milestone in the Company's history and strategic development. Since that date, the Company has been heavily involved in implementing its business strategies as set out in the prospectus of the Company dated 9 November 2016 (the "Prospectus"), including the relocation of its manufacturing facility from Songgang to a self-contained leasehold manufacturing site in Guangming New District, Shenzhen, the PRC ("Guangming").

The Group has experienced a 6.0% increase in revenue in FY 2017, with increased sales to its largest customer and the launch of new products to complement and increase its product base.

Despite increased revenue, the Group has not seen a corresponding increase in gross profit as it continues to experience intense price competition in addition to increased raw material costs, predominantly copper, higher labour rates and certain inefficiencies associated with operating two production sites for part of the year.

Excluding the impact of one-time listing expenses of HK$5.9 million and HK$17.2 million in FY 2017 and FY 2016, respectively, relocation and duplicate and onerous rental costs of HK$8.0 million in FY 2017, the adjusted profit before income tax in FY 2017 of HK$23.9 million compares to HK$40.6 million in FY 2016. The HK$16.7 million decrease includes HK$12.0 million additional administrative expenses associated with the listed status of the Group, increased selling and distribution costs and the impact of higher raw material and direct labour costs as well as certain duplicated costs associated with operating two manufacturing plants.

Against the back-drop of the ongoing relocation and a certain slowness in some of the Group's markets, this is a satisfactory result for FY 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK$17.4 million or 6.0 % from HK$289.0 million in FY 2016 to HK$306.4 million in FY 2017, primarily due to an improvement in trading conditions across the Group's geographical and customer base. Specifically, revenues to its largest customer, mostly solenoid coil sales, increased by 20.8%.

Cost of sales

Cost of sales, primarily comprising direct materials, direct labour and manufacturing overheads, amounted to HK$238.8 million and HK$219.9 million in FY 2017 and FY 2016, respectively, representing 77.9% and 76.1% of revenue in FY 2017 and FY 2016, respectively. While the cost of sales has moved in line with revenue, increases in labour rates and raw materials, as well as costs associated with the running of duplicated production facilities for part of the year have resulted in higher costs.

Gross profit and gross profit margin

The Group's gross profit was HK$67.6 million and HK$69.1 million, representing a gross profit margin of 22.1% and 23.9% in FY 2017 and FY 2016, respectively.

Despite increased sales in the year, the gross profit decreased by HK$1.5 million and the gross profit margin decreased to 22.1%. This reflects the combination of higher raw material costs, predominantly copper costs, coupled with higher minimum labour rates and inefficiencies associated with running two production sites when compared to the prior year.

Other income

Other income, which includes certification and inspection fees, sample sales and rework costs recharged to customers, decreased by HK$0.1 million in FY 2017.

Selling and distribution expenses

Selling and distribution expenses increased by HK$0.7 million or 9.5% from HK$7.8 million in FY 2016 to HK$8.5 million in FY 2017. The increase was primarily due to increased sales levels and additional selling resources in the Group.

Administrative expenses

Administrative expenses increased by HK$21.0 million or 94.3% from HK$22.3 million in FY 2016 to HK$43.3 million in FY 2017. This includes HK$12.0 million of additional head office costs associated with the listed status of the Group, including but not limited to, Directors' remuneration, salary and legal and professional costs in addition to increased head office rentals. In addition, HK$6.8 million of duplicated rental costs and relocation costs associated with the move of the production site facilities, a HK$1.0 million share-based compensation expense and a HK$2.7 million impairment loss on trade receivables have been expensed in FY 2017.

Restructuring costs

Restructuring costs of HK$1.2 million have been incurred in FY 2017 representing onerous lease rentals associated with the relocation of the Group's manufacturing base.

Finance costs

Finance costs increased by HK$0.1 million from HK$1.3 million in FY 2016 to HK$1.4 million in FY 2017. This was primarily attributable to increased average borrowings.

Listing expenses

The Group incurred listing expenses of HK$5.9 million and HK$17.2 million in FY 2017 and FY 2016, respectively, in relation to the Group's listing on 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$13.4 million or 57.2% from HK$23.4 million in FY 2016 to HK$10.0 million in FY 2017. Excluding the impact of one-time listing costs of HK$5.9 million and HK$17.2 million incurred in FY 2017 and FY 2016, respectively, restructuring costs of HK$1.2 million and duplicate rental and relocation costs of HK$6.8 million expensed in FY 2017, the adjusted profit before income tax in FY 2017 of HK$23.9 million compares to HK$40.6 million in FY 2016. The HK$16.7 million decrease includes HK$12.0 million additional administrative expenses associated with the listed status of the Group, increased selling and distribution and administration costs and the impact of higher raw material and direct labour costs, as discussed in the sections above.

Income tax expense

Our income tax expense decreased by HK$3.9 million or 44.7% from HK$8.7 million in FY 2016 to HK$4.8 million in FY 2017. The effective tax rates for FY 2017 and FY 2016 were 48.2% and 37.4%, respectively. Excluding the impact of HK$5.9 million and HK$17.2 million of listing expenses incurred in FY 2017 and FY 2016, respectively, which have been treated as non-tax deductible, the effective tax rates are 30.4% and 21.5%, for FY 2017 and FY 2016, respectively. The higher effective tax rate in FY 2017 reflects the lack of taxable income in the Company to offset deductible expenses as well as a higher incidence of under-provision of tax in respect of prior years.

Profit for the year

Our profit for the year decreased by HK$9.5 million or 64.6% from HK$14.7 million in FY 2016 to HK$5.2 million in FY 2017. Excluding the impact of one-time listing costs of HK$5.9 million and HK$17.2 million incurred in FY 2017 and FY 2016, respectively, restructuring costs of HK$1.2 million and duplicate rental and move costs of HK$6.8 million expensed in the FY 2017, the adjusted profit after income tax in FY 2017 of HK$19.1 million compares to HK$31.9 million in FY 2016. The HK$12.8 million decrease includes HK$12.0 million additional administrative expenses associated with the listed status of the Group, increased selling and distribution and administration costs and the impact of higher raw material and direct labour costs.

Dividend

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. The 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 a final dividend for the year ended 30 September 2017.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from our operating activities and bank borrowings. The cash flows for FY 2017, however, have been significantly affected by the Company's listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016 and the subsequent relocation of the manufacturing plant in Songgang to a self-contained, leasehold manufacturing facility in Guangming. The Group's net cash as at 30 September 2017, together with the prior year comparatives, is summarised below:

	2017	2016
	HK$'000	HK$'000
Cash and bank balances	**90,231**	74,456
Less: interest-bearing bank borrowings	**(61,871)**	(39,682)
Net cash	**28,360**	34,774

During the year, the Group has secured a RMB 20 million loan facility to provide financing in the PRC for the purchase of new plant and equipment. The working capital position of the Group remains healthy and, once the relocation plan is completed, we expect that our liquidity position will be further 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$20.8 million (2016: net cash generated from operating activities of HK$43.8 million). Contributing to the cash outflow were increases in working capital of HK$33.9 million in FY 2017, compared to decreases of HK$24.5 million in FY 2016.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$25.6 million in FY 2017 compared to HK$0.6 million in FY 2016. The FY 2017 cash outflow includes HK$22.0 million of capital expenditure compared to HK$0.6 million in FY 2016 in addition to HK$3.7 million prepayments for the purchase of property, plant and equipment.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was HK$61.6 million in FY 2017 compared to HK$34.0 million used in financing activities in FY 2016. The FY 2017 cash flow includes HK$94.5 million gross proceeds from the shares issued pursuant to the public offer and placing, a HK$22.2 million increase in bank borrowings, offset by HK$8.9 million of transaction costs debited to equity and dividend payments of HK$45.0 million. The FY 2016 outflow included dividend payments of HK$28.5 million and HK$4.2 million of bank borrowing repayments.

CAPITAL EXPENDITURE

Capital expenditure in FY 2017, financed by internal resources and credit facilities, amounted to HK$22.0 million (2016: HK$0.6 million). Additionally, a further HK$3.7 million of capital expenditure classified under prepayments for the purchase of property, plant and equipment has been incurred in FY 2017.

TREASURY MANAGEMENT

During FY 2017, there has been no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct if its trade in the normal course of business.

We closely review our trade receivable balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. To manage liquidity risk, we closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

For exchange risk management, the Group's foreign currency risk is mainly concentrated on the fluctuation of the US$ against the RMB. While the Group has no formal hedging policy, it seeks to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency risks, when necessary.

CHARGE ON GROUP ASSETS

At 30 September 2017, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK$113.2 million, 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 30 September 2017, the amount drawn down under the confidential invoice facility was HK$36.8 million, the import loans facility was HK$11.7 million and the term loan facility was HK$13.4 million. The term loan facility was secured during the year to provide financing for the purchase of new plant and equipment.

At 30 September 2016, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK$108.6 million, comprising overdraft, confidential invoicing and import loans. The facilities were secured against certain keyman insurance, and debentures over all of the assets of Pantene Industrial. At 30 September 2016, the amount drawn down under the confidential invoice facility was HK$32.9 million and the import loans facility was HK$6.8 million.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities (2016: HK$nil).

COMMITMENTS

As at 30 September 2017, the Group had approximately HK$14.2 million (2016: HK$nil) 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 include minimum lease payments under non-cancellable operating leases in respect of rented premises of approximately HK$72.1 million (2016: HK$6.2 million). The increase relates to the lease entered into on 30 December 2016 in relation to the new production facilities in Guangming.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

For FY 2017, sales to the largest customer and the five major customers accounted for 36.5% and 76.0%, respectively, of total sales for the year.

Purchases from the largest supplier and the five largest suppliers accounted for 22.9% and 42.8%, respectively, of total purchases for the year.

As far as the Directors are aware, none of the Directors of the Company, their associates, or any shareholder has any interest in the customers or suppliers of the Company disclosed above.

EMPLOYEES

At 30 September 2017, the Group had 819 employees (30 September 2016: 776) working in Hong Kong, the PRC and the USA. The increase in the year reflects the increase in revenues and the impact of the listed status of the Group. Employees are remunerated according to their performance and work experience. The Group has also 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) in FY 2017 amounted to HK$76.2 million (FY 2016: HK$63.3 million).

USE OF PROCEEDS FROM THE SHARE OFFER

Our Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016 under the Share Offer in connection with 63,000,000 new shares of the Company and 27,000,000 sale shares of the Company.

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 line with the disclosures in the Prospectus, as at the reporting date, the Company has used/intends to use the proceeds as follows:

	Actual net proceeds as per Prospectus allocation HK$million	Incurred at 30 September 2017 HK$million	Estimated costs to completion HK$million	Total HK$million
Streamlining and modernising production processes	29.4	17.2	13.1	30.3
Leasehold improvements to the new manufacturing facility	15.4	8.0	1.1	9.1
	44.8	25.2	14.2	39.4
Additional inventory build	10.3	5.2	5.1	10.3
Relocation costs	6.9	8.0	3.9	11.9
General working capital	0.5	—	0.9	0.9
	62.5	38.4	24.1	62.5

On 30 December 2016, the Company entered into a formal lease agreement regarding manufacturing premises in Guangming. We are currently in the process of relocating our manufacturing facilities from our existing manufacturing plant in Songgang to the new facility. We anticipate that the relocation will be completed in the second quarter of Fiscal 2018. Because the relocation has taken longer than expected 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, nonetheless has changed. Unused proceeds have been deposited with banks in Hong Kong.

OUTLOOK

Following the Company's listing on the Main Board of the Stock Exchange of Hong Kong on 21 November 2016, we have been heavily involved in carrying out our strategic objectives to enable us to streamline and modernise our production processes and improve our production efficiencies to take full advantage of the predicted growth in the solenoid coil market.

We are progressing with relocating our Songgang manufacturing facilities to our new leasehold premises in Guangnming. As well as the physical relocation to a new site, this also involves considerable investment in new plant and equipment in order to streamline and modernise our production processes, increase capacity thereby enjoying economies of scale and production efficiencies which will enable us to compete more successfully and improve our financial performance.

On completion of the relocation, when the new production facility is fully operational, the Songgang facility will be shut dowm.

Our principal business objective remains one of achieving sustainable growth in our current business and strengthening our capability to secure more business opportunities.

The manufacture of solenoid coils, battery charger solution and power supply and LED lighting, our major product groups, is characterised by rapid technological advancements. In order to keep up to date with the evolving advancements and customer demands, we are planning to strengthen 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.

Additionally, our past focus has been on design and manufacture to customer requirements rather than the development and promotion of our own brands. We believe that, in order to promote and enhance our product and corporate recognition, we need to engage more actively in marketing and promotional activities. To this end, we have already restructured our sales and marketing team and are planning to recruit more marketing staff to engage in more market networking activities and, in conjunction with our product development capabilities, to promote and expand our customer base. Initially, efforts are being concentrated in China, then as our capabilities and resources grow, this will be expanded.

A major part of our strategic plan is to expand and grow 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 to engage in the production of solenoid coils in the PRC and subsequently supply to our largest customer and other potential customers. Our Company will own the majority interests in the joint venture company. We are currently negotiating the terms and conditions of the agreement. The Directors believe that the joint venture company will enable us to increase our market share, benefit in the expected growth in China and develop highly price-competitive products.

Fiscal 2018 will continue to be a busy time for our Group as we complete the relocation of our production facility and implement our other business objectives.

The financial performance in FY 2018 will continue to be adversely affected by costs associated with our strategic business initiatives while the benefits to be derived by our relocation are not anticipated to be fully realised in FY 2018. However, it is the Group's strategy to achieve sustainable growth going forward and in the medium to long-term, enhance shareholders' value.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Henry Woon-hoe Lim, aged 66, is the chief executive officer and an executive Director. Mr. Lim has been a Director since 1 July 2010.

Mr. Lim has over 30 years of experience in professional audit, financial accounting and international management. Prior to joining our Group, he spent 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he was promoted to become a director of finance for international operations. He then served as the chief financial officer of Morrison Express Corporation, an Asia-based global freight forwarding and logistics service provider, from February 2000 to May 2009. In September 2004, he was appointed as an independent non-executive director of United Pacific Industries Limited ("UPI") (now known as Superactive Group Company Limited) (stock code: 0176), a company listed on the Hong Kong Stock Exchange, and subsequently became the executive director and chief executive officer of UPI from June 2010 until September 2014. Mr. Lim has been the chief executive officer of SNH Global Holdings Limited ("SNHGH") since October 2014.

Mr. Lim is a certified public accountant and is a fellow of the Institute of Singapore Chartered Accountants, Certified Public Accountants Australia and the Association of Chartered Certified Accountants.

Mr. Lim obtained his Bachelor of Commerce with Honours from Nanyang University (now known as Nanyang Technological University) of Singapore in 1974.

Mr. Ho Hon Ching, aged 56, is the Chief Operating Officer and an executive Director and was appointed as Director of the Company on 15 January 2016.

Mr. Ho has worked in the manufacturing field for more than 35 years, of which over 25 years has been spent in the electronics industry. He joined the Group in 1999 and has been the chief executive officer of Pantene Industrial since September 2008. Prior to joining our Group, Mr. Ho was the senior engineer of Contrad Ltd. from May 1995 to March 1999. He was the section head of the engineering department of Semiconductor Mold & Dies Ltd. from June 1994 to April 1995 and a CAD draftperson of Schneider Pty Limited from January 1990 to March 1994.

Mr. Ho obtained his associate diploma in mechanical engineering and his associate diploma in electrical/electronic engineering from the Granville College of TAFE in Australia in December 1993.

NON-EXECUTIVE DIRECTOR

Mr. Simon Nai-cheng Hsu (徐乃成), aged 57, is the chairman and the non-executive Director of the Board. He is a member of each of the Remuneration Committee and the Nomination Committee since 27 October 2016. He is also the member of the Nomination and Corporate Governance Committee (NCGC) which was established on 25 September 2017 in place of the Nomination Committee. Mr. Hsu has been a Director since 16 January 2015.

Mr. Hsu has over 30 years of experience as a corporate executive in Asia, Europe and North America. He is currently the Chairman of SNHGH, a diversified holding company with principal subsidiaries operating globally.

He is also the Executive Chairman of e-commerce Logistics Group, a Greater China-focused logistics and supply chain management company headquartered in Hong Kong.

Mr. Hsu was the managing director of Hanson Pacific Limited, the Asian arm of Hanson PLC, a major UK-headquartered international industrial conglomerate operating in basic industries, including natural resources, chemicals, building materials, tobacco, forest products and material handling from 1993 to 1996. He was a director and vice-chairman of UPI from July 1996 to May 2014 and from June 2003 to May 2014, respectively.

Mr. Hsu obtained his Bachelor of Science in Business Administration from the California State University at Northridge, majoring in real estate, in May 1983.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pochin Christopher Lu, aged 59, was appointed as an independent non-executive Director, the chairman of the Audit Committee of the Board, and a member of the Remuneration Committee of the Board on 27 October 2016.

Mr. Lu is currently an executive director of Foxconn Interconnect Technology Ltd. and has, since 12 August 2015, been serving as an independent non-executive director and the chairman of the audit committee of Greenland Holdings Corp Ltd (stock code: 600606, listed on the Shanghai Stock Exchange). Since 18 September 2016, he is also the independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Honma Golf Limited (stock code: 6858, listed on the Main Board of the Hong Kong Stock Exchange).

He retired from Deloitte China in December 2014. He joined Deloitte U.S. in Los Angeles as an audit associate in 1981. During his 34 years of service with Deloitte, he had held many executive positions including Deloitte China CEO from 2008 to 2013, and a member of the Deloitte Touche Tohmatsu Limited Global Executive Committee from 2012 to 2013. He has also led a number of Deloitte initiatives in support of national policies and programs such as those of the Ministry of Finance and the State-owned Assets Supervision & Administration Commission.

Mr. Lu's professional and personal contributions have been recognised by the community. He is a two-time winner of the Shanghai's Magnolia Award in 2003 and 2005, which recognises expatriates for their deep friendship with and significant contributions to the development of the city of Shanghai.

Mr. Lu graduated with a Master's Degree in accounting science from the University of Illinois, Urbana - Champaign USA in January 1981. He is also a member of the Chinese Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

Mr. Danny J Lay, aged 65, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee of the Board, and a member of each of the Audit Committee and the Nomination Committee of the Board on 27 October 2016. He is also the member of NCGC which was established on 25 September 2017 in place of the Nomination Committee.

Mr. Lay has over 32 years of experience in operational management. He was the Special Assistant to the Governor of the State of Missouri, the U.S.. Mr. Lay was the business leader of Emerson Commercial and Residential Solutions, Asia Pacific Region, the vice president of business development & operations of Emerson Electric Company, and the chairman and director of Emerson Professional Tools (Shanghai) Ltd. He is currently a consultant of Emerson World Headquarters, St Louis, MO, the United States. He is also a certified Executive Coach of the Columbia University Executive Coaching Program.

Mr. Lay obtained his Bachelor of Science in Physics from the Chung Yuan Christian University of Taiwan in June 1977 and his Master of Business Administration from Drury University in Missouri of the United States in August 1979. He is a fellow member of the Hong Kong Institute of Directors and a member of the board of trustees at Drury University in Missouri of the United States.

Mr. Lay was an independent non-executive director of Allied Industrial Corporation Limited, a company listed on the Taipei Exchange (formerly the GreTai Securities Market) from 2012 to August 2015. He is an independent non-executive director of Golden Eagle Retail Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3308), and Forward Electronics Co Limited, a company listed on the Taipei Exchange since May 2014 and June 2016, respectively.

Ms. Hui Leung Ching Patricia, aged 50, was appointed as an independent non-executive Director, the chairman of the Nomination Committee of the Board, and a member of the Audit Committee of the Board on 27 October 2016. She is also the chairman of NCGC which was established on 25 September 2017 in place of the Nomination Committee.

Ms. Hui has over 20 years of experience in the legal, regulatory, compliance and corporate secretarial fields. She is currently the Associate General Counsel of Hanesbrands Inc., overseeing the legal and company secretarial functions in Asia. Prior to joining Hanesbrands Inc., Ms. Hui was group legal counsel of Hutchison Whampoa Group from July 2000 to September 2006 and head legal adviser of China Resources Enterprises Limited from October 2006 to October 2009, and had also worked in private practice for around nine years.

Ms. Hui obtained her Bachelor of Law degree from King's College, University of London, in August 1989. She was admitted as a solicitor in England and Wales in 1992 and Hong Kong in 1993. She is also a fellow of the Hong Kong Institute of Chartered Secretaries.

SENIOR MANAGEMENT

Mr. Fung Chow Man, aged 56, has been our financial controller since October 2007 and is responsible for the overall financial management of the Songgang Factory.

Mr. Fung has over 20 years of experience in accounting, auditing and taxation. Prior to joining our Company, Mr. Fung had been the financial controller at MEGA Brands Toys Manufacturing (Shenzhen) Co., Limited from May 2005 to June 2007 and the financial controller at Winsome Toys Manufactory Ltd. from July 1991 to April 2005.

Mr. Fung obtained a Master of Science in Accounting from the Appalachian State University of North Carolina, the United States, in 1991.

Mr. Wong Chi Kwan, aged 52, joined Pantene in July 2001 and is currently the chief operating officer of Pantene Industrial. He is responsible for supply chain management (including production control, purchasing and material control, shipping & warehouse, engineering and quality control functions). Mr. Wong has 25 years of experience in the manufacturing field. Mr. Wong obtained a Higher Diploma in Production and Industrial Engineering from the Hong Kong Polytechnic, a Bachelor's Degree in Transport and Logistics Management from the Royal Melbourne Institute of Technology in Australia, and a Master's Degree in Manufacturing Systems Engineering from the University of Warwick in the UK.

Mr. Chan Wang Cheung, aged 63, joined Pantene Industrial in October 1982 and is currently the vice president of its engineering team. He is responsible for all engineering aspects of different product design and quality control. He has over 32 years of experience in the electronics and manufacturing field.

COMPANY SECRETARY

Mr. Som Wai Tong Ivan, aged 46, is our Company Secretary and is responsible for the company secretarial function.

Mr. Som has over 15 years of experience in accounting, auditing and taxation. Prior to joining our Company, Mr. Som had been an accountant at General Mills Hong Kong Ltd from March 2002 to November 2003 and an accountant at Johnson Matthey Hong Kong Limited from October 1999 to April 2001. He was the company secretary of UPI from September 2008 to October 2014.

Mr. Som is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 30 September 2017.

CORPORATE GOVERNANCE CODE

The Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code ("CG Code") entered in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the year ended 30 September 2017.

CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of Directors and senior management of the Company;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest developments regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. Directors have participated in continuous professional development and provided a training record to the Company.

THE BOARD, ROLE AND FUNCTION

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for the day-to-day management and operations of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the Nomination Committee ("NC") on 27 October 2016. The Nomination and Corporate Governance Committee (the "NCGC") was established on 25 September 2017 to replace the NC to strengthen and monitor the corporate governance of our Company. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Composition

As at the date of this annual report, the Board currently comprises six members, consisting of two executive Directors, one non-executive Director and three independent non-executive Directors.

The independent non-executive Directors are expressly identified in all corporate communication pursuant to the Listing Rules.

The Board comprises the following Directors:

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

Non-executive Director and Chairman
Mr. Simon Nai-cheng Hsu

Independent non-executive Directors
Mr. Pochin Christopher Lu
Mr. Danny J Lay
Ms. Hui Leung Ching Patricia

Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report.

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined. The Chairman provides leadership and strategic direction for the Board and is also responsible for chairing meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

Appropriate director's and officer's liability insurance had been arranged for all the Directors and Officers of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the NC/NCGC.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted a board diversity policy with a view to achieving a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the Nomination and Corporate Governance Committee, and where appropriate, revisions will be made with the approval from the Board.

Board Meetings

The Board has had six meetings from the Listing Date to 30 September 2017. Additional meetings will be arranged if and when required.

The company secretary of the Company (the "Company Secretary") assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at a reasonable time before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

The Company Secretary is responsible for taking minutes of Board and Board committee meetings. Drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail stating the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of the Board and Board committees' meetings are kept by the Company Secretary and are open for inspection by any Director or committee member.

Attendance records

The attendance records of all the Directors for Board and Committee meetings from 21 November 2016 (the "Listing Date") up to 30 September 2017 are set out below:

	Number of meetings attended／Number of meetings held				
Directors	**Full Board**	**Audit Committee**	**NC NCGC**	**Remuneration Committee**	**AGM**
Executive Directors					
Mr. Henry Woon-hoe Lim	6/6	N/A	N/A	N/A	1/1
Mr. Ho Hon Ching	6/6	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Simon Nai-cheng Hsu	6/6	N/A	3/3	3/3	1/1
Independent non-executive Directors					
Mr. Pochin Christopher Lu	6/6	4/4	N/A	3/3	1/1
Mr. Danny J Lay	5/6	3/4	2/3	2/3	1/1
Ms. Hui Leung Ching Patricia	6/6	4/4	3/3	N/A	1/1
Number of meetings held during the year	6	4	3	3	1

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to the operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access the Company's senior management to make further enquiries, if necessary.

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year to fill casual vacancies or as an addition to the existing Board. The NCGC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment of new Directors. The NCGC then nominates the most suitable candidate to be appointed to the Board.

According to the articles of association of the Company (the "Articles of Association"), any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is appointed for a specific term and is subject to retirement by rotation at least once every three years.

In accordance with Code provision A.4.2, all Directors are subject to retirement by rotation at least once every three years at each annual general meeting. Any new Director appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company and they will be eligible for re-election at the annual general meeting (the "AGM") under the Bye-Laws of the Company. Accordingly, Mr. Simon Nai-cheng Hsu and Mr. Ho Hon Ching will hold office as the Directors until the forthcoming annual general meeting of the Company where they will be subject to re-election.

The Non-executive Director has entered into a letter of appointment with the Company for a term of three years. The terms of appointment shall be subject to retirement from office by rotation and re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, the number of which must represent at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications and accounting and related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 40 of this annual report.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company has established a NCGC with terms of reference in compliance with paragraph A.5 of the CG Code. The NCGC was set up on 25 September 2017 to replace the NC previously established on 27 October 2016.

The NCGC comprises three members, namely Ms. Hui Leung Ching Patricia (chairman of the NCGC), Mr. Danny J Lay and Mr. Simon Nai-cheng Hsu, the majority being independent non-executive Directors. The principal duties and a summary of work done during the year of the NCGC include, among other things:

– review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

– identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

– assess the independence of independent non-executive Directors;

– make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

– develop and review the policies and practices on Corporate Governance of the Company and its subsidiaries and make recommendations to the Board;

– review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance report of the Company.

– conform to any requirement, direction and regulation that may from time to time be contained in the memorandum and Articles of Association of the Company or imposed by the Listing Rules or applicable law.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 27 October 2016 with terms of reference in compliance with paragraph B.1 of the CG Code.

The Remuneration Committee comprises three members, namely Mr. Danny J Lay (chairman of the Remuneration Committee), Mr. Pochin Christopher Lu and Mr. Simon Nai-cheng Hsu. The majority of the members of the Remuneration Committee are independent non-executive Directors which complies with Rule 3.25 of the Listing Rules. The principal duties and a summary of work done during the year of the Remuneration Committee include, among other things:

– consult with the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

– make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

– review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

– make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

– make recommendations to the Board on the remuneration of non-executive Directors;

– consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

– review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

– ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

– conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

The Remuneration Committee may consult with the chairman about its proposals relating to the remuneration of other executive Directors. The Remuneration Committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The Company reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration Committee adopted the model described in code provision B.1.2(c)(i) of the CG Code.

AUDIT COMMITTEE

The Company has established an Audit Committee on 27 October 2016 with terms of reference aligned with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee is to serve as a focal point for communication among other Directors, the external auditor, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits. The Audit Committee comprises three independent non-executive Directors, namely Mr. Pochin Christopher Lu (chairman of the Audit Committee), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia. The primary duties and a summary of work done during the year of the Audit Committee include:

– to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditors;

– to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– to develop and implement policy on engaging external auditor to supply non-audit services;

– to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgments contained in them;

– to discuss the risk management and the internal control systems with the management of our Group to ensure that the management of our Group has performed its duty to have effective internal control systems; and

– to conform to any requirement, direction and regulation that may from time to time be contained in the memorandum and Articles of Association or imposed by the Listing Rules or applicable law.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Board has had no disagreement with the Audit Committee's view on the re-appointment of the external auditor.

AUDITOR'S REMUNERATION

The Directors acknowledge the responsibilities of preparing the financial statements of the Group which give a true and fair view. The statement of the external auditor of the Company about its reporting responsibilities for consolidated financial statements is set out in the "Independent Auditor's Report" on pages 38 to 42.

The total remuneration paid and payable to BDO Limited in respect of audit services for the year ended 30 September 2017 amounted to approximately HK$968,000.

Non-audit services provided to the Group mainly represented: the reporting accountant's work in connection with the Listing and review service provided by BDO Limited of approximately HK$2,929,000 and HK$390,000, respectively; taxation services provided by BDO Tax Limited of approximately HK$104,000; and Environmental, Social and Governance Reporting support service conducted by BDO Financial Services Limited of approximately HK$110,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the opinion that sound internal control and risk management systems will contribute to the effectiveness and efficiency of the operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Company improves its business and operational activities by identifying the areas of significant business risk by means of a regular review and taking appropriate measures to control and mitigate these risks. The management of the Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee on a timely basis to ensure prompt remedial actions are taken.

Although the Group does not have an internal audit function, the Group is committed to maintaining and upholding good corporate governance practice and internal control systems.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the extent and frequency of communication with the Board in relation to risk management and internal control review; the scope and quality of management's review on risk management and internal control systems; significant failures or weakness identified and their related implications; and states of compliance with the Listing Rules. The Board considers the risk management and internal control systems effective and adequate. The risk management and internal control systems are designed to manage rather them eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

During the year ended 30 September 2017, the Company Secretary, who is an employee of the Company, has taken no less than 15 hours of relevant professional training and has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains its website at www.pantronicshk.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The 2018 AGM of the Company will be held on 27 March 2018. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

Pursuant to the Articles of Association, any one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Procedures for putting forward proposals at a shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group at a shareholders' meeting. Proposals shall be sent to the Board or the Company Secretary by written requisition to the Company Secretary at the Company's principal place of business in Hong Kong at Flat/RM 1603A, 16/F, Tower 2, Nina Tower 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

Procedures for nominating a person for election as director in general meeting

Pursuant to the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company at least seven days before the date of the general meeting.

If a shareholder (the "Proposer") of the Company wishes to propose a person ("the Nominee"), for election as a Director at a general meeting, the minimum length of the period, during which notice to the Company signed by the Proposer of the intention to propose a person for election as a Director, and during which notice to the Company signed by such Nominee confirming his willingness to be elected may be given, will be at least seven (7) days and the period for lodgement of the notices to the Company of the intention to propose a person for election as a Director will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting.

Shareholders' enquiries

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary or relevant personnel by mail to the Company's principal place of business in Hong Kong at Flat/RM 1603A, 16/F, Tower 2, Nina Tower 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

CONSTITUTIONAL DOCUMENTS

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the Listing, there was no change in the Company's constitutional documents during the year ended 30 September 2017.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 3166 8282 during normal business hours, by fax at (852) 3166 8299 or by email at www.pantronicshk.com.

Directors' Report

The Directors are pleased to present their annual report and consolidated audited financial statements for the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in the British Virgin Islands with limited liability. The principal activity of the Group is contract manufacturing, on electronic manufacturing services ("EMS") basis, of a wide range of power-related and electrical/electronic products. This business segment is the basis upon which the Group reports its primary segment information.

BUSINESS REVIEW

The business review and outlook of the Group for the year ended 30 September 2017 are set out in the section headed "Management Discussion and Analysis" on pages 4 to 11 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2017 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 43 to 99 of this annual report.

On 11 May 2017, the Company declared an interim dividend in relation to the year ended 30 September 2017 of HK$15,000,000 (5 HK cents per ordinary share) which was paid on 23 June 2017.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 March 2018 to 27 March 2018, all days inclusive, in order to determine the identity of the shareholders who are entitled to attend the Annual General Meeting ("AGM") on 27 March 2018, during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21 March 2018.

SUMMARY OF FINANCIAL INFORMATION

A financial summary of the Group for the last five financial years, as extracted from the audited financial statements and the Prospectus, is set out on page 100 in this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the environmental policies and performance of the Company is set out in the section headed "Environmental, Social and Governance Report" on pages 34 to 37 in this annual report.

The Group has complied with the applicable environmental laws and regulations of the places where the Group has business operations. The Group will review its environmental practices from time to time and will consider implementing further measures and practices in the Group's business operations to enhance substainability.

The Group has always paid great attention to and has maintained a good working relationship with its suppliers of raw materials, and has been providing a satisfactory customer services for its customers. The aforementioned suppliers and customers are good working partners creating value for the Group. In addition, the Group also values the knowledge and skills of its employees, and continue to provide career development opportunities for its employees.

SHARE CAPITAL

Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 46 to the consolidated financial statements.

Details of the movement in the reserves of the Company are set out in note 42 to the consolidated financial statements.

At 30 September 2017, the Company's reserves, for distribution purposes, showed a surplus of HK$95,172,000 comprising accumulated losses of HK$90,309,000 and other reserves of HK$185,481,000.

The Directors of the Company may only declare a distribution by the Company if they are satisfied, on reasonable grounds that, the Company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. The Company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

As disclosed in note 38 to the consolidated financial statements, during the year ended 30 September 2017, the Group supplied goods of approximately HK$4,181,000 to fellow subsidiaries and purchased plant and equipment of approximately HK$118,000 from a fellow subsidiary. These transactions have been conducted with subsidiaries of SNH Global Holdings Limited ("SNHGH").

SNHGH is wholly owned by Mr. Hsu, who is a non-executive Director and a controlling shareholder of the Company and thus a connected person of the Company. In this regard, the subsidiaries of SNHGH are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules and as such, the transactions referred to above constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of these transactions are less than 5% but the aggregate consideration exceeds HK$3.0 million on an annual basis, they constitute non-exempt connected transactions of the Company for which the Company is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Company should have complied with the announcement requirement set out in rule 14A.35 of the Listing rules when the aggregate amount of the transactions exceeded HK$3.0 million. However, due to inadvertent oversight, the Company did not announce at the relevant time but, this has been subsequently rectified.

Save as disclosed above, there were no other connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

Save as disclosed in note 38 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2017.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Henry Woon-hoe Lim
Mr. Ho Hon Ching

Non-executive Director and Chairman

Mr. Simon Nai-cheng Hsu

Independent non-executive Directors

Mr. Pochin Christopher Lu (appointed on 27 October 2016)
Mr. Danny J Lay (appointed on 27 October 2016)
Ms. Hui Leung Ching Patricia (appointed on 27 October 2016)

In accordance with the Company's Articles of Association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, losses, damages and expenses which any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company up to a term of three years commencing from the Listing date, which may be terminated in accordance with the terms of the service contracts.

The non-executive Director has entered into a service contract with the Company up to a term of three years commencing from the Listing date, which may be terminated in accordance with the terms of the service contract.

Each of the independent non-executive Directors has signed a letter of appointment with the Company up to a term of three years commencing from the Listing date, which may be terminated in accordance with the terms of the service contract.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 14 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals in the Group are set out in note 14 to the consolidated financial statements.

EMOLUMENT POLICY

The Company's remuneration policy is set out by the Remuneration Committee on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors are set by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market activities.

RETIREMENT BENEFIT PLANS

Particulars of retirement benefit plans of the Group as at 30 September 2017 are set out in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the related party transactions in note 38 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

On 27 October 2016, the Group and each of Mr. Simon Nai-cheng Hsu, SNHGH and New Wave Capital Limited ("NWC") (the "Covenantors") have executed a deed of non-competition (the "Deed of Non-competition"), pursuant to which they have irrevocably and unconditionally undertaken to the Company (for itself and as a trustee for its subsidiaries), details of which are set out in the section headed "Relationship with the Controlling Shareholders — Deed of Non-competition" in the Prospectus. Each of the covenantors declared that they have complied with the Deed of Non-competition. The independent non-executive Directors have conducted such review from the period from the Listing Date up to the date of this annual report and have also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully completed.

MANAGEMENT CONTRACTS

As at 30 September 2017, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Apart from as disclosed under "Directors' Interests and Short Positions in Shares and Underlying Shares of the Company", at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company of a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "Scheme") adopted by way of written resolutions passed on 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Scheme is a share incentive scheme and has been established to recognise and acknowledge the contributions eligible participants have made to the Group. The Scheme is valid and effective for a period of ten years commencing on the date of adoption of the Scheme, unless terminated earlier by the shareholders in general meeting.

Participants of the Scheme may include: any employee (full-time or part-time), Director, consultant or adviser of our Group; any substantial shareholder of our Group; and any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, to be determined by the Board, based on their contribution or potential contribution to the development and growth of the Group.

As at the date of this report, the total number of shares available for issue under the Scheme was 30,000,000, representing 10% of the issued share capital of the Company. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the Listing Date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit.

The number of shares issued and to be issued in respect of which options granted and which may be granted to any individual in any 12-month period up to the date of the grant, shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting. Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000.00, such further grant of options is required to be approved by shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1.00 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the Scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the option;

(ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share on the date of grant of the option.

On 3 April 2017, 7,000,000 share options were granted to the eligible participants. These options entitle the grantees to subscribe for a total of 7,000,000 new ordinary shares with a nominal value of HK$0.001 in the share capital of the Company. The exercise price of the options granted is HK$1.50 per share and they are valid for a period of 10 years from 3 April 2017 to 2 April 2027. The options granted are subject to vesting in three equal tranches on the first, second and third anniversary of the date of the grant.

The details of the exercise price and number of options outstanding during the year which have been granted to the eligible participants are as follows:

	Date of grant	Exercise price	Outstanding at 1 October 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2017
		HK$	*Number*	*Number*	*Number*	*Number*	*Number*
Executive Directors							
Mr. Henry Woon-hoe Lim	3 April 2017	1.50	–	1,500,000	–	–	1,500,000
Mr. Ho Hon Ching	3 April 2017	1.50	–	1,000,000	–	–	1,000,000
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3 April 2017	1.50	–	500,000	–	–	500,000
Independent non-executive Directors							
Mr. Pochin Christopher Lu	3 April 2017	1.50	–	300,000	–	–	300,000
Mr. Danny J lay	3 April 2017	1.50	–	300,000	–	–	300,000
Ms. Hui Leung Ching Patricia	3 April 2017	1.50	–	300,000	–	–	300,000
Other eligible participants	3 April 2017	1.50	–	3,100,000	–	–	3,100,000
			–	7,000,000	–	–	7,000,000

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the British Virgin Islands where the Company is incorporated, which would oblige the Company to offer New Shares on a pro-rata basis to existing Shareholders.

DONATIONS

Donations made during the year amounted to HK$1 million.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2017, so far as is known to the Directors, the interests or short positions of the Directors of the Company and their associates in the ordinary shares of the Company (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 Hong Kong Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or 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 set out in Appendix 14 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(i) Long Positions in the Company's shares

(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 1)*	214,330,000	71.44%
Mr. Hsu	Beneficial owner	366,000	0.12%
Mr. Henry Woon-hoe Lim	Beneficial owner	150,000	0.05%

(b) Share options

Name of Directors	Capacity/nature of interest	Number of shares held	Percentage of shareholding
Mr. Hsu	Beneficial owner	500,000	0.16%
Mr. Henry Woon-hoe Lim	Beneficial owner	1,500,000	0.50%
Mr. Ho Hon Ching	Beneficial owner	1,000,000	0.33%
Mr Christopher Po-chin 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:

(1) Mr. Hsu, through SNHGH and NWC, owns 71.44% of the Company's issued shares.

(ii) Long Position in the share(s) of associated corporations

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of share(s) held	Percentage of shareholding
Mr. Hsu	SNH Global Holdings Limited	Beneficial owner	5,001	100%
Mr. Hsu	New Wave Capital Limited	Interest of a controlled corporation *(Note 1)*	1	100%

Note:

(1) Mr. Hsu, through SNHGH, owns 100% of the share of NWC.

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

As at 30 September 2017, 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 interest in the Company's issued shares
New Wave Capital Limited	Beneficial owner	214,330,000	71.44%
SNH Global Holdings Limited	Interest of a controlled corporation *(Note 1)*	214,330,000	71.44%
Ms. Ng Mei Yi Diana	Interest of spouse *(Note 2)*	214,330,000	71.44%

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 of the Company which Mr. Hsu is interested in for the purpose of the SFO.

Save as disclosed above, as at the date of the annual report 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 LISTED SECURITIES OF THE COMPANY

The Group did not purchase, sell or redeem any listed securities of the Company from the Listing Date up to the date of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, from Listing up until the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 23 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

AUDITOR

The financial statements of the Company for the year ended 30 September 2017 were audited by BDO Limited. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO Limited as auditor of the Company.

There has been no change in the Company's auditor in any of the preceding three years.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 30 September 2017, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board

Simon Nai-cheng Hsu
Chairman
Hong Kong
18 December 2017

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group has prepared the Environmental, Social and Governance Report ("ESG") according to the ESG Guide contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). This report aims to present our efforts and performance in pursuing Corporate Social Responsibility ("CSR") and sustainable development.

SCOPE OF THE REPORT

This report covers the major operations of the Group: our Hong Kong office; and our major operating subsidiaries, Pantene Industrial Co., Ltd. ("Pantene Industrial") and Shenzhen Pantai Electronic Co. Ltd ("Shenzhen Pantai") which, are regarded as material in contributing to the ESG performance of the Group.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

A materiality assessment has been performed for engaging some of our key stakeholders via an online questionnaire to collect their opinions. The most material ESG issues topics identified were: anti-corruption; child labour; customer satisfaction; and hazardous and non-hazardous waste. In the following sections our efforts in addressing these ESG concerns will be reported, and the Group will strive to continuously improve, meet and exceed our stakeholders' expectations going forward.

PROTECTING THE ENVIRONMENT

Emissions

As a leader in the electronic and electrical industry, we are fully aware of our responsibilities to protect our environment. It is our environmental policy to have full compliance with all applicable environmental legislation, pollution prevention and to continuously improve our processes and increase customer satisfaction. This is achieved through controlling and mitigating our environmental impact, utilising the resources efficiently within our operations, and requesting the same from our supply chain partners.

Our environmental risks and impacts are managed through our well-established 14001 Environmental Management System ("EMS") in our factory operations. EMS helps us to control and manage all our environmental emissions, including the management of waste, which is one of our stakeholders' key concerns. EMS not only serves compliance purposes, but also guides us towards a sustainable business model in the long term by tracking our risks, making continual improvements and meeting the evolving demand of our customers. During the reporting period, we have successfully managed our operations and are not aware of any non-compliance with relevant laws and regulations relating to environmental emissions.

Use of Resources

Our Group is highly committed to the efficient use of resources, including energy, water and raw materials to ensure that they are utilised with minimum wastage. Our well-established "Effective Resources Utilisation Standard" has been very effective in managing the use of resources, minimising consumption, as well as reducing waste generation in our operations.

Environment, Natural Sources and Supply Chain Management

It is our Group's policy to minimise our impact on the environment and natural resources. We are dedicated to making a positive impact on the environment and to extend this beyond our own operations, by exercising our influence and control across our supply chain.

Our "Code of Compliance for Suppliers and Contractors" sets clear targets and requirements for our partners for continuous improvements in quality control, resource consumption and environmental protection. Prior to entering into a business partnership, our Supply Chain Management Department will screen potential suppliers and contractors in relation to their green practices and compliance levels to ensure their products or services are beneficial to the environment. We require our partners to commit to the use of green and safe materials, including manufactured components, raw materials and packaging products, that meet the various international and national requirements, such as those relating to "Restriction of Hazardous Substances" and "Registration, Evaluation, Authorisation and Restriction of Chemicals". Once on board, we encourage continuous green development from our suppliers across the whole supply chain by regularly providing suppliers' training in green practices.

MAKING A SUSTAINABLE BUSINESS

Sustainability in Employment

The Group fully appreciates the contributions from employees and has established clear policies relating to employment and labour practices. Our standards clearly require that the employment of child and forced labour are strictly prohibited. During the reporting period, we have successfully managed our operations and are not aware of any non-compliance with relevant laws and regulations in employment and labour practices, including child and forced labour.

In our operations, there are procedures and guidelines to ensure only qualified and competent employees are appointed. The guidelines clearly set out labour conditions including recruitment, welfare and benefits. Before employment, job details such as work conditions, occupational hazards and potential safety risks and remuneration are clearly explained. To sufficiently attract and compensate talent to join our workforce, a comprehensive remuneration package is provided, including pension insurance, medical insurance, maternity insurance, housing provident funds and work-related injury insurance.

Occupational Health and Safety

The Group has established comprehensive safety working policies and procedures for our operations. During the reporting period, we have successfully managed our operations and are not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees form occupational hazards. Regular occupational safety education and training have been provided to enhance staff members' awareness. Where necessary, and for specialised activities, corresponding specialised training is provided for workers. We assess employees' related safety knowledge such as safety operations and emergency handling before allowing workers to commence a role.

To promote a work-life balance in the Group, we organise and encourage staff to join various social activities such as the Annual Chinese New Year Dinner and the Mid-Autumn Festival Dinner in the PRC.

Development and Training

In our manufacturing operations, we are committed to strengthening employees' professional knowledge and skillsets. As part of our training procedures, every year, we design a training development plan based on the departmental requirements and the Group's strategic objectives, implement tailor-made training programmes and evaluate their effectiveness through questionnaires for continuous improvement.

All employees are trained and equipped with necessary skills and knowledge in quality requirements before they commence work in our manufacturing operations. This is followed by systematic refresher training to ensure the work force is kept up to date with the latest methods and practices.

Sustainability in Products

In addition to opting for green and safe products, the Group aspires to be a totally customer-oriented organisation that offers the highest quality in our products and ensures the highest degree of client satisfaction. During the reporting period, we have successfully managed our operations and are not aware of any non-compliance with relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

The Group has attained various internationally recognised quality standards (e.g. ISO9001 and TS16949, among others). We also perform annual assessments on products that do not meet with the standards. The Group has established a Customer Service Section ("CSS") to deal with any queries and complaints from customers. The team coordinates customer orders, parts procurement, manufacturing, shipment, customs, logistics and on-time delivery. Our computerised operations enable our CSS to provide our customers with weekly or monthly status reports on outstanding orders, delivery, shipment and tracking status upon request. The CCS is adept in addressing and responding to customer complaints and problem resolution.

Business with Integrity

During the reporting period, we have successfully managed our operations and are not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

The Group has established clear work instructions which requires our colleagues to sign an agreement to strictly prohibit them from receiving money, gifts and hospitality without following our internal procedures. Staff are subject to penalties for non-compliance.

Likewise, to manage the social risks of our supply chain for our factory operations, under our Code of Anti-corruption and Confidentiality (the "Code"), our suppliers and contractors are also required to make the commitment to follow the requirements stipulated in the Code so as to maintain long-term relationships with us. We prohibit them from offering benefits such as gifts and will discontinue business relationships with them if there is any incidence of non-compliance. As a parallel measure, we offer a hotline for suppliers to report any non-compliance. All in all, we aim to create a fair competition platform.

All our suppliers and contractors are required to demonstrate that they take responsibility for the prevention of loss and leakage of intellectual property or other technical information, by making a commitment to follow the requirements of the Code.

We believe, as a team, suppliers and contractors have the responsibility to safeguard confidential information from being disclosed and leaked, such as trade secrets and personal details of customers. We safeguard the same by requesting our partners in signing an agreement. If there is breach, suppliers will be dismissed in accordance with our agreement.

COMMUNITY INVESTMENT

We understand our successes today are based on the support and contribution from society. We are always grateful and see our part in contributing to the long-term well-being of society. As well as continuing to excel in our core businesses and activities, we are committed to continuing to engage with the communities that are closely linked to our activities, and to give help to those communities in need, where we possibly can. During the reporting period, we made a donation of HK$1,000,000 to The Community Chest of Hong Kong.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF PANTRONICS HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pantronics Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 99, which comprise the consolidated statement of financial position as at 30 September 2017, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

BDO

KEY AUDIT MATTERS – continued

Impairment loss on trade receivables

Refer to notes 4 and 21 to the consolidated financial statements and the accounting policies in note 3 to the consolidated financial statements.

As at 30 September 2017, the carrying amount of the Group's trade receivables was HK$56,172,000. The assessment of recoverability of trade receivables required management to make significant judgements based on the current creditworthiness of each customer, the past collection history of each customer and aging analysis of the trade receivables. Based on management's assessment, the Group recognised an impairment loss on trade receivables of HK$2,663,000 during the year.

We identified the impairment loss on trade receivables as a key audit matter due to the significance of the balance to the consolidated statement of financial position and significant judgements involved by management in the impairment assessment.

Our response:

Our procedures in relation to management's impairment assessment of trade receivables included:

– obtaining an understanding of the basis of the estimation of the provision for impairment of trade receivables;

– testing the accuracy of aging analysis of trade receivables, on a sample basis, to the related sales invoices and goods delivery documents;

– obtaining the schedule of trade receivables allowances and checking the arithmetical accuracy of the items relating to the provision for doubtful debts;

– testing the settlements of trade receivables subsequent to the end of reporting period by, on a sample basis, checking to the related sales invoices and bank records; and

– assessing the reasonableness of the assessment of the recoverability of trade receivables determined by management with reference to the collectability and ageing of the receivables, the creditworthiness and past collection history of these customers and the Group's current and expected future business relationship with these customers.

OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

BDO

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 18 December 2017

Consolidated Statement of Profit or Loss

For the year ended 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**306,422**	289,002
Cost of sales		**(238,789)**	(219,853)
Gross profit		**67,633**	69,149
Other income	7	**2,622**	2,766
Interest income	8	**85**	75
Selling and distribution expenses		**(8,500)**	(7,763)
Administrative expenses		**(43,356)**	(22,312)
Restructuring costs	9	**(1,208)**	—
Finance costs	10	**(1,369)**	(1,265)
Listing expenses		**(5,873)**	(17,227)
Profit before income tax	11	**10,034**	23,423
Income tax expense	13	**(4,840)**	(8,759)
Profit for the year		**5,194**	14,664
Profit for the year attributable to owners of the Company		**5,194**	14,664

	Notes	2017 HK cents	2016 HK cents
Earnings per share			
– Basic and diluted	16	**1.78**	6.19

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**5,194**	14,664
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	**671**	(2,865)
Other comprehensive income for the year, net of tax	**671**	(2,865)
Total comprehensive income for the year attributable to owners of the Company	**5,865**	11,799

Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**36,089**	16,502
Prepayments for the purchase of property, plant and equipment	18	**3,702**	—
Prepaid land lease payments under operating leases	19	**321**	355
		40,112	16,857
Current assets			
Inventories	20	**43,886**	21,488
Trade and other receivables	21	**65,539**	62,869
Amounts due from fellow subsidiaries	22	**908**	247
Amount due from the immediate holding company	22	**13**	—
Cash and bank balances	23	**90,231**	74,456
		200,577	159,060
Current liabilities			
Trade and other payables	24	**56,737**	59,582
Bank borrowings	25	**61,871**	39,682
Provision	26	**1,208**	—
Dividend payable	15	**—**	30,000
Amount due to the immediate holding company	22	**—**	1
Tax payable		**10,566**	14,379
		130,382	143,644
Net current assets		**70,195**	15,416
Total assets less current liabilities		**110,307**	32,273
Non-current liabilities			
Deferred tax liabilities	28	**1,711**	1,300
Net assets		**108,596**	30,973
EQUITY			
Share capital	29	**300**	—
Reserves	32	**108,296**	30,973
Total equity attributable to owners of the Company		**108,596**	30,973

The consolidated financial statements on pages 43 to 99 were approved and authorised for issue by the Board of Directors on 18 December 2017 and are signed on its behalf by:

Henry Woon-hoe Lim
Director

Simon Nai-cheng Hsu
Director

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

	Share capital HK$'000	Share premium* HK$'000	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 2015	1	—	—	(2,495)	3,950	(5,283)	81,502	77,675
Dividends paid (note 15)	—	—	—	—	—	—	(28,500)	(28,500)
Dividend approved and declared (note 15)	—	—	—	—	—	—	(30,000)	(30,000)
Repurchase of shares (note 29(ii))	(1)	—	—	—	—	—	—	(1)
Issue of shares (note 29(ii))	—	—	—	—	—	—	—	—
Transactions with owners	(1)	—	—	—	—	—	(58,500)	(58,501)
Profit for the year	—	—	—	—	—	—	14,664	14,664
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	—	—	(2,865)	—	(2,865)
Total comprehensive income for the year	—	—	—	—	—	(2,865)	14,664	11,799
Appropriation of statutory reserve	—	—	—	—	808	—	(808)	—
At 30 September 2016 and 1 October 2016	—	—	—	(2,495)	4,758	(8,148)	36,858	30,973
Issue of shares (note 29(v))	237	—	—	—	—	—	—	237
Shares issued pursuant to the public offer and placing (notes 29(vi) and 30(i))	63	94,437	—	—	—	—	—	94,500
Transaction costs attributable to the public offer and placing (note 30(ii))	—	(8,935)	—	—	—	—	—	(8,935)
Grant of share options (note 31)	—	—	956	—	—	—	—	956
Dividends paid (note 15)	—	—	—	—	—	—	(15,000)	(15,000)
Transactions with owners	300	85,502	956	—	—	—	(15,000)	71,758
Profit for the year	—	—	—	—	—	—	5,194	5,194
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	—	—	671	—	671
Total comprehensive income for the year	—	—	—	—	—	671	5,194	5,865
Appropriation of statutory reserve	—	—	—	—	1,244	—	(1,244)	—
At 30 September 2017	300	85,502	956	(2,495)	6,002	(7,477)	25,808	108,596

* The total of reserves as at 30 September 2017 is HK$108,296,000 (2016: HK$30,973,000).

Consolidated Statement of Cash Flows

For the year ended 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit before income tax		**10,034**	23,423
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases		**34**	34
Depreciation of property, plant and equipment		**2,514**	2,204
Impairment loss/(reversal of impairment loss) on inventories		**2,646**	(517)
Interest expenses on bank borrowings		**1,369**	1,265
Interest income		**(85)**	(75)
Equity-settled share-based payment expenses		**956**	—
Impairment loss/(reversal of impairment loss) on trade receivables		**2,663**	(725)
Restructuring charge		**1,208**	—
Operating profit before working capital changes		**21,339**	25,609
(Increase)/decrease in inventories		**(25,044)**	1,424
(Increase)/decrease in trade and other receivables		**(6,010)**	7,830
Increase in amounts due from fellow subsidiaries		**(661)**	(120)
(Decrease)/increase in trade and other payables		**(2,168)**	15,329
Cash (used in)/generated from operations		**(12,544)**	50,072
Income tax paid		**(8,242)**	(6,294)
Net cash (used in)/generated from operating activities		**(20,786)**	43,778
Cash flows from investing activities			
Purchase of property, plant and equipment		**(21,968)**	(630)
Prepayments for the purchase of property, plant and equipment		**(3,702)**	—
Interest received on bank deposits and balances		**85**	75
Increase in amount due from immediate holding company		**(14)**	—
Net cash used in investing activities		**(25,599)**	(555)

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Net cash inflow/(outflow) in trust receipts and export loans		**4,915**	(3,037)
Proceeds from invoice discounting facility		**287,497**	386,503
Repayments of invoice discounting facility		**(283,623)**	(387,675)
Interest paid on bank borrowings		**(1,369)**	(1,265)
Proceeds from term loan		**13,400**	—
Dividends paid		**(45,000)**	(28,500)
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 generated from/(used in) financing activities		**61,622**	(33,974)
Net increase in cash and cash equivalents	33	**15,237**	9,249
Effect of foreign exchange rate changes		**538**	(2,057)
Cash and cash equivalents at beginning of the year		**74,456**	67,264
Cash and cash equivalents at end of the year		**90,231**	74,456
Analysis of the balance of cash and cash equivalents			
Cash and bank balances	23	**90,231**	74,456

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 "Listing Date"). 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. This business segment is the basis upon which the Group reports its primary 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.

The consolidated financial statements on pages 43 to 99 have been prepared in accordance with Hong Kong Financial Reporting standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

The consolidated financial statements are presented in thousands of Hong Kong Dollars ("HK$'000"), unless otherwise stated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – effective from 1 October 2016

The Group has applied the following amendments to HKFRSs issued by the HKICPA, which are relevant to the Group's financial statements, and applied by the Group for the first time during the year ended 30 September 2017.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the amendments to HKFRSs, to the extent that they are relevant to the Group, have had no significant impact on the Group's results of operations and financial position.

Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(a) Adoption of new or amended HKFRSs – effective from 1 October 2016 – *continued*

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method of accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the financial statements.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to HKFRS 12	Disclosure of Interests in Other Entities[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[3]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

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.

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 relating to debt instruments measured at fair value.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

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

Amendments to HKFRS 2 - Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 as at 30 September 2017, 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. On the other hand, the management will assess the business model in relation to the Group's investment portfolio at initial application of HKFRS 9.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(b) New or amended 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 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF NEW OR AMENDED HKFRSs – *continued*

(b) New or amended 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 present 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. This 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 30 September 2017, the Group has non-cancellable operating lease commitments of approximately HK$72,123,000 as disclosed in note 37. 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.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all of the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of preparation – *continued*

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of a non-controlling interest is the amount of that interest at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) Sales of goods are recognised when goods are delivered and title has been passed. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

(b) Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

(c) Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	Over the remaining unexpired lease term or 50 years, whichever is the shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	10%-25%
Motor vehicles	20%-25%
Plant and machinery	10%-33 1/3%

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of the reporting period.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group classified its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Group assesses, at the end of the reporting period, whether there is any objective evidence that the financial asset is impaired. A financial asset is classed as impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include, but not be limited to: significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; the granting of a concession to a debtor due to financial difficulties; and it becoming probable that the debtor will enter bankruptcy or any other financial reorganisation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, fellow subsidiaries and the immediate holding company and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss for receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as un-collectible, it is written off against the allowance account for the relevant financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Loans and receivables **–** *continued*

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

Other financial liabilities

Other financial liabilities including trade and other payables, dividend payable and amounts due to the immediate holding company and a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial guarantee contracts – *continued*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong Dollars ("HK$")) at the rate of exchange prevailing at that date, and their income and expenses are translated at the average monthly exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of other comprehensive income (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

Prepaid land lease payments under operating leases

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Equity-settled share-based payment transactions

Share options granted to Directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity as share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Retirement benefits costs

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China is required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties

For the purposes of these financial statements:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of inventories

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventory at the end of each reporting period, and makes allowance for any inventory items identified to be carried at a recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Estimates of current tax and deferred tax

The Group is required to recognise a provision for income taxes based upon the taxable income and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. Significant judgement is required in determining the amount of the taxation provision and the timing of the payment thereon. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Valuation of equity-settled share-based payment transactions

The fair value of share options has been calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the expected volatility of the share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the opinion of the Directors, the existing model may not always necessarily produce a reliable single measure of the fair value of the share options. Details of the assumptions used are set out in note 31 to the consolidated financial statements.

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 assesses the performance of this 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") and the United States of America (the "USA"). The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	2017 **HK$'000**	2016 HK$'000
The People's Republic of China (the "PRC")		
– Mainland China	**25,752**	24,138
– Hong Kong (place of domicile)	**2,177**	2,992
USA	**152,626**	156,902
UK	**36,962**	30,690
Rest of Europe	**26,340**	29,229
Japan	**42,836**	26,506
Others	**19,729**	18,545
	306,422	289,002

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 year, is set out below:

	2017 HK$'000	2016 HK$'000
Customer A	**111,806**	92,590
Customer B	**46,809**	47,253
Customer C	**41,618**	N/A

Revenue from Customer C during the year ended 30 September 2016 contributed less than 10% of the total revenue of the Group.

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

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,446**	1,191
Mainland China	**38,662**	15,660
Others	**4**	6
	40,112	16,857

6. REVENUE

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

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Sundry income	**2,622**	2,766

8. INTEREST INCOME

	2017 HK$'000	2016 HK$'000
Interest earned on bank deposits and balances	**85**	75

9. RESTRUCTURING COSTS

	2017	2016
	HK$'000	HK$'000
Onerous contract (note 26)	**1,208**	—

The onerous contract represents the estimated present value of the future lease payments that the Group is currently obliged to make under non-cancellable operating lease contract. The estimate may vary as a result of changes in the utilisation of the leased premises, where applicable. The unexpired term of the leases is less than one year.

10. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Interest on bank borrowings	**1,369**	1,265

11. PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases	**34**	34
Auditors' remuneration		
– audit service	**968**	446
– review service	**390**	—
Cost of inventories recognised as expenses	**238,789**	219,853
Depreciation of property, plant and equipment	**2,514**	2,204
Exchange gains, net	**(251)**	(940)
Impairment loss/(reversal of impairment loss) on inventories (note 20)	**2,646**	(517)
Minimum lease payments in respect of rented premises	**10,580**	4,367
Impairment loss/(reversal of impairment loss) on trade receivables (note 21)	**2,663**	(725)
Employee benefit expenses (note 12)	**76,233**	63,275

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017	2016
	HK$'000	HK$'000
Staff salaries, allowances and welfare	**31,537**	25,261
Provident fund contributions (note 27)	**4,684**	4,670
Mandatory provident fund obligations (note 27)	**476**	392
Direct labour costs	**38,580**	32,952
Share-based compensation expenses (note 31)	**956**	—
	76,233	63,275

13. INCOME TAX EXPENSE

Income tax expense for the year comprises:

	2017	2016
	HK$'000	HK$'000
Current income tax – Hong Kong:		
Provision for the year	**2,093**	3,521
Under provision in respect of prior years	**593**	—
	2,686	3,521
Current income tax – Overseas:		
Provision for the year:		
Mainland China	**1,726**	4,825
USA	**17**	13
	1,743	4,838
Deferred tax (note 28)	**411**	400
Income tax expense	**4,840**	8,759

13. INCOME TAX EXPENSE – *continued*

Notes:

(a) Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

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 IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016 and December 2016. 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.

(b) The reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2017	2016
	HK$'000	HK$'000
Profit before income tax	**10,034**	23,423
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**2,694**	5,501
Tax effect of non-deductible expenses	**1,421**	3,061
Tax effect of non-taxable income	**(3)**	(209)
Deduction of research and development costs	**(1,288)**	—
Tax effect of temporary differences arising from withholding tax on undistributed profits	**411**	400
Tax effect of temporary differences not recognised	**(84)**	—
Tax effect of tax losses not recognised	**1,118**	—
Under provision in respect of prior years	**593**	—
Others	**(22)**	6
Income tax expense	**4,840**	8,759

(c) The PRC corporate income tax is computed according to relevant laws and regulations in Mainland China. The income tax rate is 25% (2016: 25%) for the year.

(d) 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$1,711,000 (2016: HK$1,300,000) 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 28).

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the Directors for the year are set out below:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Share-based compensation expenses HK$'000	Total HK$'000
Year ended 30 September 2017						
Executive Directors						
Mr. Henry Woon-hoe Lim	—	2,593	300	—	223	3,116
Mr. Ho Hon Ching	—	1,340	281	18	149	1,788
Non-executive Directors						
Mr. Simon Nai-cheng Hsu*	279	—	—	—	74	353
Mr. Pochin Christopher Lu** (appointed on 27 October 2016)	186	—	—	—	44	230
Mr. Danny J Lay** (appointed on 27 October 2016)	186	—	—	—	44	230
Ms. Hui Leung Ching Patricia** (appointed on 27 October 2016)	186	—	—	—	44	230
Total	837	3,933	581	18	578	5,947

* Mr. Simon Nai-cheng Hsu was re-designated from Executive Director to non-executive Director on 27 October 2016

** Independent non-executive Directors

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(a) Directors' emoluments – *continued*

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Year ended 30 September 2016					
Executive Directors					
Mr. Simon Nai-cheng Hsu (appointed on 16 January 2015)	—	—	—	—	—
Mr. Henry Woon-hoe Lim	—	—	—	—	—
Mr. Ho Hon Ching (appointed on 15 January 2016)	—	903	319	13	1,235
Total	—	903	319	13	1,235

During the year, none of the Directors waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2016: one) are Directors of the Company whose emoluments are included in note 14(a) above. The emoluments of the remaining three (2016: four) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	**3,720**	5,088
Retirement benefit scheme contribution	**54**	77
Share-based compensation expenses	**170**	—
	3,944	5,165

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS – *continued*

(b) Five highest paid individuals – *continued*

Their emoluments were within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	1

During the year, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2016: Nil).

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	—

15. DIVIDENDS

A final dividend of HK$8,500,000 (HK$42,500 per ordinary share) in relation to the year ended 30 September 2015 was distributed to the Company's immediate parent undertaking, NWC, as follows: HK$1,500,000 on 6 October 2015; HK$4,000,000 on 12 October 2015; and the balance of HK$3,000,000 on 4 December 2015.

On 14 December 2015, the Company declared an interim dividend in relation to the year ended 30 September 2016 of HK$50,000,000 (HK$250,000 per ordinary share), of which HK20,000,000 was paid on 16 December 2015, the remaining HK$30,000,000 declared to be paid was later rescinded by the Board on 29 January 2016.

On 15 April 2016, the Company declared a second interim dividend in relation to the year ended 30 September 2016 of HK$30,000,000 (HK$150 per ordinary share) which was paid on 28 October 2016. This dividend was recognised as a liability at 30 September 2016.

15. DIVIDENDS – *continued*

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 a final dividend for the year ended 30 September 2017.

16. 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 relevant years.

	2017	2016
	HK$'000	HK$'000
Profit attributable to owners of the Company	**5,194**	14,664
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	**291,197,260**	237,000,000
	HK cents	HK cents
Basic earnings per share	**1.78**	6.19

Note:

The weighted average of 237,000,000 ordinary shares used in the calculation of basic earnings per share for the year ended 30 September 2016 comprised: (i) 200 ordinary shares of the Company in issue at 30 September 2015; (ii) 200,000 ordinary shares of the Company issued and allotted to NWC at par value of HK$0.001 each and the 200 ordinary shares at par value of US$1 each in the Company originally held by NWC repurchased by the Company and cancelled, pursuant to the shareholder's resolution dated 15 January 2016; and (iii) 236,800,000 ordinary shares issued and allotted to NWC at par value of HK$0.001 each pursuant to the shareholder's resolution dated 17 November 2016 as if these issues had occurred throughout the year ended 30 September 2016 and up to 21 November 2016, immediately before the completion of the public offer and placing of the Company's new ordinary shares.

The weighted average of 291,197,260 ordinary shares used in the calculation of basic earnings per share for the year ended 30 September 2017 comprises the weighted average of 63,000,000 ordinary shares allotted immediately after the completion of the public offer and placing on the Stock Exchange of Hong Kong on 21 November 2016, in addition to the aforementioned 237,000,000 ordinary shares for the year ended 30 September 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 shares for the year ended 30 September 2017.

There were no potential dilutive ordinary shares outstanding during the years ended 30 September 2017 and 30 September 2016, and hence the diluted earnings per share is the same as basic earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost						
At 1 October 2015	20,824	—	49,835	4,155	82,369	157,183
Additions	—	—	184	—	446	630
Currency realignment	(1,471)	—	(829)	(113)	(3,645)	(6,058)
At 30 September 2016 and 1 October 2016	19,353	—	49,190	4,042	79,170	151,755
Additions	—	8,435	1,723	—	11,810	21,968
Disposals	—	—	—	(662)	—	(662)
Currency realignment	230	—	147	18	630	1,025
At 30 September 2017	**19,583**	**8,435**	**51,060**	**3,398**	**91,610**	**174,086**
Accumulated depreciation						
At 1 October 2015	9,154	—	49,727	3,512	75,906	138,299
Provided for the year	545	—	92	218	1,349	2,204
Disposals	—	—	—	—	—	—
Currency realignment	(867)	—	(874)	(86)	(3,423)	(5,250)
At 30 September 2016 and 1 October 2016	8,832	—	48,945	3,644	73,832	135,253
Provided for in the year	379	91	899	141	1,004	2,514
Disposals	—	—	—	(662)	—	(662)
Currency realignment	149	1	161	9	572	892
At 30 September 2017	**9,360**	**92**	**50,005**	**3,132**	**75,408**	**137,997**
Carrying values						
At 30 September 2017	**10,223**	**8,343**	**1,055**	**266**	**16,202**	**36,089**
At 30 September 2016	10,521	—	245	398	5,338	16,502

18. PREPAYMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Prepayments for the purchase of property, plant and equipment of HK$3,702,000 have been incurred as at 30 September 2017 (2016: HK$nil). These payments represent deposits paid for leasehold improvements, furniture, fixtures and equipment and plant and machinery in relation to the relocation of the Group's production facilities in Songgang, to a self-contained leasehold manufacturing facility in Guangming. Upon final payment and installation/commissioning, as appropriate, the assets will be transferred to property, plant and equipment (note 17).

19. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments. The movements in their net carrying values are as follows:

	2017	2016
	HK$'000	HK$'000
At 1 October	**355**	389
Amortisation	**(34)**	(34)
At 30 September	**321**	355

20. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials	**13,610**	11,702
Work-in-progress	**3,991**	2,961
Finished goods	**26,285**	6,825
	43,886	21,488

At 30 September 2017, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$43,886,000 (2016: HK$21,488,000). During the year impairment losses of HK$2,646,000 (2016: reversal of impairment losses of HK$517,000) have been recognised in the consolidated statement of profit or loss.

21. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**56,172**	52,882
Less: impairment provisions	**—**	—
Trade receivables - net	**56,172**	52,882
Prepayments and other receivables	**9,367**	9,987
	65,539	62,869

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 30 September 2017, trade receivables of HK$57,270,000 (2016: HK$56,034,000) 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 30 September 2017, the asset-backed lending liabilities amounted to HK$36,763,000 (2016: HK$32,889,000) (note 25).

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

	2017	2016
	HK$'000	HK$'000
0 - 60 days	**47,063**	37,749
61 - 90 days	**7,521**	9,011
91 - 120 days	**1,588**	5,293
More than 120 days	**—**	829
	56,172	52,882

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 (2016: 30 to 120 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

21. TRADE AND OTHER RECEIVABLES – *continued*

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
	HK$'000	HK$'000
At 1 October	**—**	817
Impairment loss/(reversal of impairment loss)	**2,663**	(725)
Uncollectible amounts written off	**(2,663)**	(92)
At 30 September	**—**	—

The Group has provided in full against those receivables where evidence suggests that the amounts outstanding are not recoverable.

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:

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**50,130**	51,779
0 - 60 days past due	**6,042**	1,085
61 - 90 days past due	**—**	16
91 - 120 days past due	**—**	2
	6,042	1,103
	56,172	52,882

Trade receivables that are past due but not impaired relate 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.

22. AMOUNT(S) DUE FROM/(TO) FELLOW SUBSIDIARIES/THE IMMEDIATE HOLDING COMPANY

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

Particulars of the amounts due from fellow subsidiaries and the immediate holding company are disclosed as follows:

Name of borrowers	**Balance as at 30 September** **2017** **HK$'000**	2016 HK$'000	Balance as at 1 October 2015 HK$'000	**Maximum balance outstanding during the year** **2017** **HK$'000**	2016 HK$'000
Amounts due from fellow subsidiaries					
Bowers Eclipse Equipment Shanghai Co. Ltd.	**74**	74	74	**74**	74
Eclipse Tools Manufacturing Company Limited	**53**	53	53	**53**	53
Eclipse Magnetics Limited	**722**	120	—	**789**	120
Bowers Metrology Limited	**26**	—	—	**42**	—
Robert Sorby Limited	**33**	—	—	**33**	—
Eclipse Tools North America	**—**	—	—	**32**	—
	908	247	127	**1,023**	247
Amount due from/(to) the immediate holding company, New Wave Capital Limited	**13**	(1)	—	**852**	—

Mr. Simon Nai-cheng Hsu, one of the Directors of the Company, has a beneficial interest in the above fellow subsidiaries and the immediate holding company.

23. CASH AND BANK BALANCES

	2017 **HK$'000**	2016 HK$'000
Cash at banks and in hand	**90,231**	74,456

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The Directors consider that the carrying values of the deposits at the reporting date approximate to their fair values.

Included in bank and cash balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK$6,792,000 (2016: HK$4,855,000) placed with banks in Mainland China. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

24. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (note (i))	**35,615**	31,470
Other payables and accruals (note (ii))	**21,122**	28,112
	56,737	59,582

Notes:

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

	2017 HK$'000	2016 HK$'000
0 - 60 days	**24,795**	22,899
61 - 90 days	**6,178**	5,438
More than 90 days	**4,642**	3,133
	35,615	31,470

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

(ii) Included in other payables as at 30 September 2016 were receipts in advance of HK$1,214,000 from the immediate holding company, New Wave Capital Limited, in relation to its share of listing expenses incurred.

25. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	**11,708**	6,793
Asset-backed lending	**36,763**	32,889
Term loan, subject to repayment on demand clause	**13,400**	—
Total overdrafts and bank borrowings	**61,871**	39,682
Bank borrowings are repayable as follows:		
Within one year or on demand	**61,871**	39,682
	61,871	39,682

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 21).

25. BANK BORROWINGS – *continued*

The bank borrowings which are denominated in HK$ and US Dollars ("US$"), 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 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 within three years after the end of the reporting period 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 of 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.

The effective interest rates on the Group's floating rate borrowings range from 3.0% to 5.0% per annum (2016: 3.0% to 4.0% 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 34 for details of pledged assets.

26. PROVISION

	Onerous contract HK$'000
At 1 October 2015, 30 September 2016 and 1 October 2016	—
Provision for the year (note 9)	1,208
Carrying amount at 30 September 2017 included in current liabilities	1,208

The onerous contract represents the estimated present value of the future lease payments that the Group is currently obliged to make under non-cancellable operating lease contract. The estimate may vary as a result of changes in the utilisation of the leased premises, where applicable. The unexpired term of the leases is less than one year.

27. DEFINED CONTRIBUTION PENSION PLANS

Hong Kong

The Group joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. During the year, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK$476,000 (2016: HK$392,000) (note 12), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

Mainland China

The employees of the Group's subsidiary in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the year was HK$4,684,000 (2016: HK$4,670,000) (note 12). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

28. DEFERRED TAX LIABILITIES

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

	In respect of withholding tax on un-distributed profits
	HK$'000
At 1 October 2015	900
Charge to the consolidated statement of profit or loss (note 13)	400
Carrying amount at 30 September 2016 and 1 October 2016	1,300
Charge to the consolidated statement of profit or loss (note 13)	411
Carrying amount at 30 September 2017	**1,711**

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.

During the year ended 30 September 2017, a provision of HK$411,000 has been charged to the consolidated statement of profit or loss representing 5% of unremitted earnings accrued in the year ended 30 September 2017 (2016: HK$400,000).

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:

	2017	2016
	HK$'000	HK$'000
Unused tax losses	**97,292**	77,802
Other temporary differences	**3,297**	3,855
	100,589	81,657

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 arising from subsidiaries incorporated in Hong Kong will not expire under current tax legislation and can be carried forward indefinitely.

29. SHARE CAPITAL

	Number of ordinary shares of US$1 each	Amount	Number of ordinary shares of HK$0.001 each	Amount	Amount
		US$		HK$	HK$
Authorised:					
At 1 October 2015	50,000	50,000	—	—	
Increase in authorised share capital (note (i))	—	—	50,000,000	50,000	
Reduction of authorised share capital (note (iii))	(50,000)	(50,000)	—	—	
Increase in authorised share capital (note (iv))	—	—	450,000,000	450,000	
At 30 September 2016 and 30 September 2017	**—**	**—**	**500,000,000**	**500,000**	
Issued and fully paid:					
At 1 October 2015	200	200	—	—	1,560
Repurchase of shares (note (ii))	(200)	(200)	—	—	(1,560)
Issue of shares on 15 January 2016 (note (ii))	—	—	200,000	200	200
At 30 September 2016	—	—	200,000	200	200
Issue of shares on 17 November 2016 (note (v))	—	—	236,800,000	236,800	236,800
Issue of shares pursuant to the public offer and placing on 21 November 2016 (note (vi))	—	—	63,000,000	63,000	63,000
At 30 September 2017	**—**	**—**	**300,000,000**	**300,000**	**300,000**

Notes:

(i) Pursuant to the shareholder's resolution dated 15 January 2016, the Company's authorised share capital was increased from 50,000 ordinary shares at par value of US$1 each to 50,000 ordinary shares at par value of US$1 each and 50,000,000 ordinary shares at par value of HK$0.001 each.

(ii) On 15 January 2016, 200,000 ordinary shares were issued and allotted to the immediate holding company, NWC, at par value of HK$0.001 each and the 200 ordinary shares at par value of US$1 each in the Company originally held by NWC were repurchased by the Company and cancelled (the "Repurchase of Shares").

(iii) Upon the Repurchase of Shares, the Company reduced its authorised but unissued shares by the cancellation of 50,000 ordinary shares at par value of US$1 each.

(iv) Pursuant to the shareholder's resolution dated 29 March 2016, the Company's authorised share capital was increased from 50,000,000 ordinary shares at par value of HK$0.001 each to 500,000,000 ordinary shares at par value of HK$0.001 each.

29. SHARE CAPITAL – *continued*

Notes: – *continued*

(v) 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, thus bringing the total of shares issued to NWC to 237,000,000 ordinary shares at par value of HK$0.001 each.

(vi) 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.

(vii) All the shares issued during the reporting period ranked pari passu in all respects with the then existing shares in issue.

30. SHARE PREMIUM

	HK$'000
At 1 October 2015, 30 September 2016 and 1 October 2016	—
Arising from the public offer and placing (note (i))	94,437
Arising from the transaction costs attributable to the public offer and placing (note (ii))	(8,935)
At 30 September 2017	**85,502**

Notes:

(i) As detailed in note 29(vi) 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.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to written shareholder resolutions passed on 27 October 2016, the Company adopted a Share Option Scheme (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Scheme is a share incentive scheme established to recognise and acknowledge the contributions eligible participants have made to the Group. The Scheme is valid and effective for a period of ten years commencing on the date of the adoption of the Scheme, unless terminated earlier by the shareholders in a general meeting.

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.

As at 30 September 2017, the total number of shares available for issue under the Scheme was 30,000,000, representing 10% of the issued share capital of the Company. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share option scheme of the Company, must not in aggregate exceed 10% of the Company's shares in issue as at the Listing Date. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company, must not exceed 10% of the Company's shares in issue as at the date of the approval of the refreshed limit.

The number of shares issued and to be issued in respect of which options granted and which may be granted to any individual in any 12-month period up to the date of the grant, shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of this limit must be separately approved by the Company's shareholders in a general meeting with such grantee and his/her close associates abstaining from voting. Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to an including the date of grant representing in aggregate over 0.1% of the shares in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options is required to be approved by shareholders at a general meeting of the Company, with voting to be taken by way of a poll.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

Upon acceptance of an option to subscribe for shares, the eligible participant shall pay HK$1 to the Company as consideration for the grant. The subscription price of a share subject to options granted under the Scheme shall be a price determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the grant of the option;

(ii) The average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and

(iii) the nominal value of a share on the date of the grant of an option.

The movement in the number of share options under the Scheme during the year are as follows:

	Date of grant	Exercise price HK$	Outstanding at 1 October 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2017
Executive Directors							
Mr. Henry Woon-hoe Lim	3 April 2017	1.50	—	1,500,000	—	—	1,500,000
Mr. Ho Hon Ching	3 April 2017	1.50	—	1,000,000	—	—	1,000,000
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3 April 2017	1.50	—	500,000	—	—	500,000
Independent Non-executive Directors							
Mr.Pochin Christopher Lu	3 April 2017	1.50	—	300,000	—	—	300,000
Mr. Danny J Lay	3 April 2017	1.50	—	300,000	—	—	300,000
Ms. Hui Leung Ching Patricia	3 April 2017	1.50	—	300,000	—	—	300,000
Other eligible participants	3 April 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

For the share options outstanding as at 30 September 2017, the weighted average remaining contractual life is 3,472 days.

Of the total number of options outstanding at the end of the year, no share options had vested and were exercisable at the end of the year.

31. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS – *continued*

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 are 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 fair value of the options has been calculated by an external valuer using the Bionomial Option Pricing Model. The assumptions used are as follows:

	Granted on 3 April 2017
Grant date share price	HK$1.28
Exercise price	HK$1.50
Expected volatility	49.92%
Contractual option life	10 years
Risk-free rate	1.67%
Expected dividend yield	3.78%

Since the historical volatility of the Company's shares over the most recent period commensurate with the contractual life of the share options is not available, the average of the historical volatilities of the adopted listing guideline companies has been adopted as the expected volatility and reflects the assumption that the historical volatility is indicative of future trends. The risk-free rate is the yield of Hong Kong Generic Rate with maturity matching the contractual option life of the share options as obtained from Bloomberg as at the Valuation Date. The historical annualised dividend yield of the Company of 3.78% has been adopted.

The assumptions used in computing the fair value of the share options are based on management's best estimate. The valuation of options is dependent upon a number of variables using subjective assumptions. Any changes in the variables may materially affect the estimation of the fair value of an option.

There was no market vesting condition or non-market performance condition associated with the options granted.

Based on the fair values derived from the above pricing model, the fair value of the share options granted during the year was approximately HK$3,189,000 (HK$0.456 each). Share-based compensation expenses of HK$956,000 were charged to the consolidated statement of profit or loss for the year (2016: HK$nil) (note 12).

32. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 46 of the financial statements.

Share premium

The share premium is the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

Share option reserve

The fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in the share option reserve. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest and the impact of the revision of these estimates, if any, is recognised in the statement of profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the options are exercised, the amount previously recognised in the share option reserve is transferred to the share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the share option reserve is transferred to retained profits.

Other reserve

The other reserve represents the waiver of: (i) amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013; (ii) amounts payable to a fellow subsidiary amounting to HK$4,911,000 during the year ended 30 September 2015; and (iii) amounts receivable from a fellow subsidiary amounting to HK$1,766,000 during the year ended 30 September 2015.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiary is required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

Translation reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

33. RECONCILIATION OF THE INCREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

	Notes	2017 HK$'000	2016 HK$'000
Net increase in cash and cash equivalents		**15,237**	9,249
Effect of foreign exchange rates		**538**	(2,057)
Net movement in cash and cash equivalents		**15,775**	7,192
(New bank borrowings raised)/repayment of bank borrowings		**(22,189)**	4,209
Net cash at 1 October		**34,774**	23,373
Net cash at 30 September		**28,360**	34,774
Represented by:			
Cash and cash equivalents	23	**90,231**	74,456
Interest-bearing bank borrowings - amounts due within one year or on demand	25	**(61,871)**	(39,682)
		28,360	34,774

34. PLEDGE OF ASSETS

At 30 September 2017, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$113,234,000, 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 30 September 2017, the amount drawn down under the confidential invoice facility was HK$36,763,000, the import loan facility was HK$11,708,000 and the term loan was HK$13,400,000 (note 25).

At 30 September 2016, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$108,567,000, comprising overdraft, confidential invoicing and import loans. The facilities were secured against certain keyman insurance, and debentures over all of the assets of Pantene Industrial. At 30 September 2016, the amount drawn down under the confidential invoice facility was HK$32,889,000 and the import loan facility was HK$6,793,000 (note 25).

35. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Committed but not contracted for:		
Property, plant and equipment	**11,630**	—
Contracted but not provided for:		
Property, plant and equipment	**2,552**	—
	14,182	—

36. CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any material contingent liabilities (2016: HK$nil).

37. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2017 HK$'000	2016 HK$'000
Operating leases which expire:		
Within one year	**11,606**	4,960
In the second to fifth years inclusive	**31,024**	1,279
Over the fifth years	**29,493**	—
	72,123	6,239

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 3 months to 8 years (2016: 3 months to 2 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.

38. 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 year.

During the year ended 30 September 2017, the Group supplied goods with a value of approximately HK$4,181,000 (2016: HK$587,000) to fellow subsidiaries. The balances outstanding as at 30 September 2017 with prior year comparatives, are set out in note 22 to the financial statements.

During the year ended 30 September 2017, the Group purchased plant and machinery from a fellow subsidiary of approximately HK$118,000. In addition, a deposit of HK$220,000 was paid for the purchase of an equipment during the year ended 30 September 2017. The balance outstanding at 30 September 2017 is HK$nil (2016: HK$nil).

On 15 January 2016, 200,000 ordinary shares were issued and allotted to the immediate holding company, NWC, at par value of HK$0.001 each and the 200 ordinary shares at par value of US$1 each in the Company originally held by NWC were repurchased by the Company and cancelled. As at 30 September 2016, the amount payable to NWC of HK$1,360 is reflected as an amount due to the immediate holding company in the consolidated statement of financial position.

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$3,829,000 on behalf of NWC. The balance outstanding at 30 September 2017 was HK$nil. As at 30 September 2016, NWC had paid approximately HK$1,214,000 in advance and this amount was included in other payables in the consolidated statement of financial position at that date.

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 14.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

39. FINANCIAL RISK MANAGEMENT AND POLICIES

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 Group does not have written risk management policies. However, the Company's Directors meet regularly and co-operate closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

39. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group 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 forward foreign exchange contracts to minimise any currency exposure risks.

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US$ against the RMB.

	2017	2016
	HK$'000	HK$'000
Trade receivables	**56,491**	51,755
Cash and cash equivalents	**44,603**	62,272
Trade payables	**(7,285)**	(7,449)
Borrowings	**(38,897)**	(32,889)
Gross exposure arising from recognised financial assets and liabilities	**54,912**	73,689

Assuming sensitivity to a 5% increase where the RMB strengthens against the US$ there would be an increase in profit of approximately HK$2.7 million for the year (2016: HK$3.6 million). For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in HK$, RMB and US$. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 25. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest expense experienced by the Group is HK$1,284,000 (2016: HK$1,190,000 net interest credit) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK$484,000 (2016: HK$384,000) for the year.

39. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Fair value risk

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial assets and liabilities.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group has a credit insurance policy in place and the exposure to credit risk is monitored on an ongoing basis.

The credit risk on liquid funds is limited because the counterparts are banks with high credit ratings assigned by international credit-rating agencies.

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. The Group 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.

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 contractual 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 cashflow 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 schedule of repayment dates:

39. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

As at 30 September 2017

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000
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**

As at 30 September 2016

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000
Non-derivative financial liabilities:			
Trade and other payables	58,235	58,235	58,235
Bank borrowings	39,682	39,682	39,682
Dividend payable	30,000	30,000	30,000
Amount due to the immediate holding company	1	1	1
	127,918	127,918	127,918

The table that follows summarises the maturity analysis of term loan with a repayment on demand clause based on agreed scheduled repayment set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts were 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 such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

39. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

Maturity analysis of term loan subject to a repayment on demand clause based on scheduled repayment is as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	After 1 year but less than 2 years HK$'000	After 2 but less than 5 years HK$'000
As at 30 September 2017	**13,400**	**14,435**	**2,758**	**5,710**	**5,967**
As at 30 September 2016	—	—	—	—	—

Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated statement of financial position relate to the following categories:

Financial assets:

	2017 HK$'000	2016 HK$'000
Loans and receivables:		
Trade and other receivables*	**64,116**	60,476
Amounts due from fellow subsidiaries	**908**	247
Amount due from the immediate holding company	**13**	—
Cash and bank balances	**90,231**	74,456
	155,268	135,179

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$65,539,000 as at 30 September 2017 (2016: HK$62,869,000), is an amount of HK$1,423,000 representing prepayments (2016: HK$2,393,000).

Financial liabilities:

	2017 HK$'000	2016 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	**55,562**	58,235
Bank borrowings	**61,871**	39,682
Provisions	**1,208**	—
Dividend payable	**—**	30,000
Amount due to the immediate holding company	**—**	1
	118,641	127,918

40. CAPITAL MANAGEMENT POLICIES AND RISK

The Group's objectives are: to provide returns for its shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to its shareholders and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the debt to equity. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2017 **HK$'000**	2016 HK$'000
Total net cash (note 33)	**28,360**	34,774
Total capital	**108,596**	30,973
Debt to equity ratio	**N/A**	N/A

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2017 are as follows:

Name of company	Place of incorporation or establishment and type of legal entity	Issued and fully paid shares	Effective interest held by the Company 2017	Effective interest held by the Company 2016	Principal activities
Interest held directly					
Pantene Industrial Co. Limited	Hong Kong ("HK")/Limited liability company	100 shares of HK$10,000	**100%**	100%	Sale and distribution of power-relates and electrical/electronic products
Pantronics International Holdings Limited	HK/Limited liability company	10 shares of HK$10	**100%**	100%	Investment holding
Panjet Service Company Limited	HK/Limited liability company	2 shares of HK$2	**100%**	100%	Investment holding
Grace Harvest Corporation Limited	HK/Limited liability company	1 share of HK$1	**100%**	100%	Provision of management services
Interest held indirectly					
Pin Xin International Limited	HK/Limited liability company	10,000 shares of HK$10,000	**100%**	100%	Inactive
Pan Electrium Industrial Company Limited	HK/Limited liability company	5,000,000 shares of HK$5,000,000	**100%**	100%	Inactive
Shenzhen Pantai Electronic Co., Ltd.*	The People's Republic of China/Wholly foreign-owned enterprise	Registered capital US$1,700,000	**100%**	100%	Manufacture and sale of power-related and electrical/electronic products
Pantene Electronics North America, Inc.	United States of America/Limited liability company	25,000 shares of US$25,000	**100%**	100%	After-sales support

* Established in the Mainland China as a wholly foreign-owned enterprise.

Unless otherwise specified under "Principal activities", the above subsidiaries operate principally in their respective places of incorporation or registration.

The above list includes the subsidiaries of the Company which, in the opinion of the Company's Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of all the other subsidiaries would, in the opinion of the Company's Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**413**	—
Investments in subsidiaries	**11**	11
	424	11
Current assets		
Prepayments and other receivables	**873**	5,048
Amounts due from subsidiaries (note (i))	**112,545**	112,500
Amount due from the immediate holding company (note (i))	**13**	—
Cash and bank balances	**32,921**	747
	146,352	118,295
Current liabilities		
Other payables	**2,892**	8,619
Dividend payable	**—**	30,000
Amount due to a subsidiary (note (i))	**47,422**	42,422
Amount due to the immediate holding company (note (i))	**—**	1
Tax payable	**990**	990
	51,304	82,032
Net current assets	**95,048**	36,263
Total assets less current liabilities	**95,472**	36,274
Net assets	**95,472**	36,274
EQUITY		
Share capital	**300**	—
Reserves (note (ii))	**95,172**	36,274
Total equity	**95,472**	36,274

The statement of financial position of the Company was approved by the Board of Directors on 18 December 2017 and is signed on its behalf by:

Henry Woon-hoe Lim
Director

Simon Nai-cheng Hsu
Director

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Notes:

(i) The amount(s) due from/(to) subsidiaries/the immediate holding company is/are unsecured, interest-free and repayable on demand.

(ii) Movements in reserves

	Share premium	Share option reserve	Other reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 October 2015	—	—	99,023	5,725	104,748
Dividends paid (note 15)	—	—	—	(28,500)	(28,500)
Dividend approved and declared (note 15)	—	—	—	(30,000)	(30,000)
Loss for the year	—	—	—	(9,974)	(9,974)
At 30 September 2016 and 1 October 2016	—	—	99,023	(62,749)	36,274
Shares issued pursuant to the public offer and placing (notes 29(vi) and 30(i))	94,437	—	—	—	94,437
Transaction costs attributable to the public offer and placing (note 30(ii))	(8,935)	—	—	—	(8,935)
Grant of share options (note 31)	—	956	—	—	956
Dividends paid (note 15)	—	—	—	(15,000)	(15,000)
Loss for the year	—	—	—	(12,560)	(12,560)
At 30 September 2017	85,502	956	99,023	(90,309)	95,172

Other reserve

The other reserve represents a transaction arising from a Group reorganisation of HK$93,383,000 and the waiver of an amount due from the former ultimate holding company amounting to HK$5,640,000 during the year ended 30 September 2013.

The share option reserve is detailed in note 32 and the share premium in note 30.

43. EVENTS AFTER THE REPORTING PERIOD

There are no significant events requiring disclosure subsequent to 30 September 2017.

Five Years Financial Summary

	For the year ended 30 September				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**306,422**	289,002	327,634	334,496	325,244
Profit before income tax	**10,034**	23,423	43,187	37,411	28,586
Income tax expense	**(4,840)**	(8,759)	(9,979)	(7,217)	(5,345)
Profit for the year	**5,194**	14,664	33,208	30,194	23,241
Attributable to:					
Owners of the company	**5,194**	14,664	33,208	30,194	23,241

	As at 30 September				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**240,689**	175,917	178,933	239,561	278,569
Total liabilities	**(132,093)**	(144,944)	(101,258)	(117,186)	(186,142)
Net assets	**108,596**	30,973	77,675	122,375	92,427
Equity attributable to owners of the company	**108,596**	30,973	77,675	122,375	92,427

PANTRONICS HOLDINGS LIMITED
桐成控股有限公司