ANNUAL REPORT 2018

PANTRONICS HOLDINGS LIMITED

桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1611

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Lee Chris Curl *(Chief Financial Officer)*
(appointed with effect from 20 September 2018)
Mr. Huo Li
(appointed with effect from 20 September 2018)
Mr. Henry Woon-hoe Lim *(Former Chief Executive Officer)*
(resigned with effect from 11 October 2018)
Mr. Ho Hon Ching *(Former Chief Operating Officer)*
(resigned with effect from 11 October 2018)

NON-EXECUTIVE DIRECTOR:

Mr. Simon Nai-cheng Hsu *(Former Chairman)*
(resigned with effect from 11 October 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Duan Xiongfei
(appointed with effect from 11 October 2018)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Zhou Guohua
(appointed with effect from 11 October 2018)
Mr. Pochin Christopher Lu
(resigned with effect from 11 October 2018)
Mr. Danny J Lay
(resigned with effect from 11 October 2018)
Ms. Hui Leung Ching Patricia
(resigned with effect from 11 October 2018)

AUDIT COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
(appointed with effect from 11 October 2018)
Mr. Duan Xiongfei
(appointed with effect from 11 October 2018)
Mr. Zhou Guohua
(appointed with effect from 11 October 2018)
Mr. Pochin Christopher Lu *(Former Chairman)*
(resigned with effect from 11 October 2018)
Mr. Danny J Lay
(resigned with effect from 11 October 2018)
Ms. Hui Leung Ching Patricia
(resigned with effect from 11 October 2018)

REMUNERATION COMMITTEE

Mr. Zhou Guohua *(Chairman)*
(appointed with effect from 11 October 2018)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Huo Li *(appointed with effect from 11 October 2018)*
Mr. Danny J Lay *(Former Chairman)*
(resigned with effect from 11 October 2018)
Mr. Pochin Christopher Lu
(resigned with effect from 11 October 2018)
Mr. Simon Nai-cheng Hsu
(resigned with effect from 11 October 2018)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
(appointed with effect from 11 October 2018)
Mr. Yip Wai Ming
(appointed with effect from 11 October 2018)
Mr. Lee Chris Curl
(appointed with effect from 11 October 2018)
Ms. Hui Leung Ching Patricia *(Former Chairman)*
(resigned with effect from 11 October 2018)
Mr. Danny J Lay
(resigned with effect from 11 October 2018)
Mr. Simon Nai-cheng Hsu
(resigned with effect from 11 October 2018)

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

Suite 1603A, 16/F, Tower 2, Nina Tower
8 Yeung Uk Road, Tsuen Wan
Hong Kong
Tel: (852) 3166 8282, Fax: (852) 3166 8299
Websites: www.pantronicshk.com
www.irasia.com/listco/hk/pantronics

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

Patrick Mak & Tse
Rooms 901-905
9/F, Wing On Centre
111 Connaught Road Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

Titan Financial Services Limited
Suites 3201-02, 32/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl
(appointed with effect from 20 September 2018)
Mr. Ng Gilbert Man Him
(appointed with effect from 21 November 2018)
Mr. Som Wai Tong Ivan
(resigned with effect from 11 October 2018)

Executive Director's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Pantronics Holdings Limited (the "Company" and together with its subsidiaries the "Group"), I am pleased to present the annual report of the Company for the year ended 30 September 2018.

The 2018 financial year continued to be a year of transformation for the Group. The relocation of our manufacturing facilities from Songgang to a self-contained leasehold facility in Guangming New District ("Guangming") was completed. We also embarked on the new development when Huobi Global Limited, together with Trinity Gate Limited as purchasers, completed the acquisition of sale shares in the Company from New Wave Capital Limited on 21 August 2018.

During the year ended 30 September 2018, the Group recorded incremental revenue of HK$39.0 million or 12.7%, mainly due to revenue generated from its largest customer increasing by 42.0%, favourable trading conditions across the Group's geographical markets and an increase in the Group's customer base. However, the gross profit of the Group decreased by approximately HK$11.0 million, due to higher raw material costs, predominantly copper costs, an increase in labour costs, additional manpower resources to complete the relocation of the manufacturing plant to Guangming and a higher depreciation charge in relation to plant and equipment installed in the Guangming facility. Specifically, the costs associated with the relocation, including relocation costs, duplicate rental and factory-maintenance costs were HK$3.8 million and the costs associated with the sale of shares in August 2018 and the subsequent composite offer were approximately HK$3.4 million.

Going forward to 2019 financial year, it is expected the Group will face significant challenges, including labour shortages, increases in raw material costs, and the introduction of higher tariffs for the sales to the USA, where our largest customers are located. In view of the uncertain global economic and political environment, particularly the trade war between China and the USA, we will continue to broaden our customer base to capture market opportunities. Our new management team will also actively look into any opportunities of business diversification for mitigating the risks and to achieve long-term sustainability of the Group.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, investors, customers, suppliers and business partners for their continuing support, and my appreciation to all of our staff for their tireless efforts and contribution in 2018.

On behalf of the Board,

Lee Chris Curl
Executive Director
Hong Kong, 17 December 2018

BUSINESS OVERVIEW

The Group has experienced a 12.7% increase in revenue, with a 42.0% increase in sales to its largest customer, a positive result showing incremental growth in its underlying customer base and geographical markets. At the same time, the profit for the year has increased by 26.9% from HK$5.2 million last year to HK$6.6 million in the current year.

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

Costs associated with the move, including relocation costs, duplicated rental and factory-maintenance associated costs of approximately HK$3.8 million in addition to HK$3.4 million of costs associated with sale of shares in August 2018 and subsequent composite offer have also negatively impacted the result. Excluding these one-time costs, the profit before income tax per the year was HK$18.1 million compared to a prior year result of HK$23.9 million (adjusted for relocation costs of HK$6.8 million and listing costs of HK$5.9 million).

Undoubtedly, our business operations have faced challenges in the year including the physical relocation of the production facilities and labour shortages at a time when customer demand has improved, increasing raw material costs and the introduction of higher tariffs for our sales into the USA, our largest overseas market. Given these challenges, after excluding the impact of one-time charges, our profit for the year ended 30 September 2018 is lower than the previous year but we have been encouraged by the increased revenue experienced in the year ended 30 September 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$39.0 million or 12.7% from HK$306.4 million in the year ended 30 September 2017 to HK$345.4 million in the year ended 30 September 2018, primarily due to an improvement in trading conditions across the Group's geographical and customer base. Specifically, revenues generated from its largest customer, mostly solenoid coil sales, increased by approximately 42.0%.

Cost of sales

Cost of sales, primarily comprising direct materials, direct labour and manufacturing overheads, amounted to HK$288.8 million and HK$238.8 million in the years ended 30 September 2018 and 30 September 2017, respectively, representing 83.6% and 77.9% of revenue in the years ended 30 September 2018 and 30 September 2017, respectively. While the cost of sales has moved in line with revenue, increased raw material costs, predominantly copper, a higher depreciation charge and increased labour costs have significantly impacted upon the cost of sales.

Gross profit and gross profit margin

The Group's gross profit was HK$56.6 million and HK$67.6 million, representing a gross profit margin of 16.4% and 22.1% in the years ended 30 September 2018 and 30 September 2017, respectively.

Despite increased revenues, the gross profit decreased by approximately HK$11.0 million and the gross profit margin decreased to 16.4%. This reflects a combination of: higher raw material costs, predominantly copper costs; increased labour costs; additional manpower resources required to prepare for and complete the relocation of the manufacturing plant in Songang to a self-contained leasehold manufacturing facility in Guangming; and a higher depreciation charge in relation to plant and equipment installed in the new manufacturing facility.

Other income

Other income, which includes gains on disposal of property, plant and equipment, government grants, certification and inspection fees, sample sales, sales of raw materials from cancelled orders and rework costs recharged to customers, increased by approximately HK$4.3 million from HK$2.6 million in the year ended 30 September 2017 to HK$6.9 million in the year ended 30 September 2018. The increase is due to, among others, the receipt of a HK$1.1 million government grant and HK$1.1 million in relation to the gain on disposal of property, plant and equipment.

Selling and distribution expenses

Selling and distribution expenses decreased by HK$0.5 million or 5.7% from HK$8.5 million in the year ended 30 September 2017 to HK$8.0 million in the year ended 30 September 2018.

Administrative expenses

Administrative expenses decreased by HK$1.0 million or 2.2% from HK$43.4 million in the year ended 30 September 2017 to HK$42.4 million in the year ended 30 September 2018. Expenses for the year ended 30 September 2018 include HK$3.8 million of duplicated rental costs and relocation costs associated with the move of the production site facilities and HK$3.4 million of costs associated with sale of shares in August 2018 and subsequent composite offer. Expenses for the year ended 30 September 2017 include HK$6.8 million of duplicated rental costs and relocation costs associated with the move of the production site facilities.

Restructuring costs

Restructuring costs of HK$1.2 million were incurred in the year ended 30 September 2017 representing onerous lease rentals associated with the relocation of the Company's manufacturing base.

Finance costs

Finance costs increased by HK$1.1 million from HK$1.4 million in the year ended 30 September 2017 to HK$2.5 million in the year ended 30 September 2018. This was primarily attributable to increased average borrowings in addition to a HK$0.4 million imputed interest charge on the non-interest-bearing loan received in the year from a non-controlling shareholder.

Listing expenses

The Group incurred listing expenses of HK$5.9 million in the year ended 30 September 2017 in relation to the Group's listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") on 21 November 2016.

Profit before income tax

The Group's profit before income tax has increased by approximately HK$0.9 million or 8.2% from HK$10.0 million in the year ended 30 September 2017 to HK$10.9 million in the year ended 30 September 2018. Excluding the impact of one-time listing costs of HK$5.9 million and restructuring costs of HK$1.2 million incurred in the year ended 30 September 2017, duplicate rental and move costs of HK$3.8 million and HK$6.8 million expensed in the years ended 30 September 2018 and 30 September 2017, respectively and HK$3.4 million of costs associated with the sale of shares and subsequent composite offer in the year ended 30 September 2018, the adjusted profit before income tax in the year ended 30 September 2018 of HK$18.1 million compares to HK$23.9 million in the year ended 30 September 2017. The HK$5.8 million decrease includes the impact of higher raw material and direct labour costs, as discussed in the sections above partially offset by higher levels of other income.

Income tax expense

Our income tax expense decreased by approximately HK$0.5 million or 11.8% from HK$4.8 million in the year ended 30 September 2017 to HK$4.3 million in the year ended 30 September 2018. The effective tax rates for the years ended 30 September 2018 and 2017 were 39.3% and 48.2%, respectively. The high effective tax rates in both years reflect the high incidence of non-tax-deductible expenses and the lack of taxable income in the Company to offset deductible expenses.

Profit for the year

Our profit for the year increased by approximately HK$1.4 million or 26.9% from HK$5.2 million in the year ended 30 September 2017 to HK$6.6 million in the year ended 30 September 2018. Excluding the impact of one-time listing costs of HK$5.9 million and restructuring costs of HK$1.2 million incurred in the year ended 30 September 2017, duplicate rental and move costs of HK$3.8 million and HK$6.8 million expensed in the years ended 30 September 2018 and 30 September 2017, respectively and the HK$3.4 million of costs associated with the sale of shares and subsequent composite offer in the year ended 30 September 2018, the adjusted profit for the year ended 30 September 2018 is HK$13.8 million compared to HK$19.1 million in the year ended 30 September 2017. The HK$5.3 million decrease includes the impact of higher raw material and direct labour costs, as discussed in the sections above partially offset by higher levels of other income.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from our operating activities and bank and other borrowings. The cash flows for the year ended 30 September 2018 however, have been significantly affected by the receipt of a HK$100.0 million loan from a non-controlling shareholder. Likewise, the cash flows for the year ended 30 September 2017, were 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 its manufacturing plant in Songgang to a self-contained, leasehold manufacturing facility in Guangming. The Group's net cash as at 30 September 2018, together with the prior year comparatives, is summarised below:

	2018	2017
	HK$'000	HK$'000
Cash and equivalents	**205,995**	90,231
Less: interest-bearing bank borrowings	**(55,803)**	(61,871)
other borrowings	**(86,540)**	—
Net cash	**63,652**	28,360

The working capital position of the Group remains satisfactory.

The net cash at the reporting date is denominated in Renminbi, Hong Kong Dollars and United States Dollars. The effective interest rates on the Group's floating rate borrowings range from 3.0% to 5.5% per annum (2017: 3.0% to 5.0% per annum).

The Group monitors capital on the basis of the debt to equity ratio. Details of the Group's debt to equity ratio are set out in note 41 to the consolidated financial statements.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash generated from operating activities was HK$20.9 million (2017: net cash used in operating activities of HK$20.8 million). Contributing to the cash inflow in the year ended 30 September 2018 were decreases in working capital of HK$7.8 million, compared to increases in working capital of HK$33.9 million in the year ended 30 September 2017.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$3.9 million in the year ended 30 September 2018 compared to HK$25.6 million in the year ended 30 September 2017. The cash outflow in the year ended 30 September 2017 included HK$22.0 million of capital expenditure in addition to HK$3.7 million prepayments for the purchase of property, plant and equipment compared to HK$5.2 million of capital expenditure in the year ended 30 September 2018. The capital expenditure for the year ended 30 September 2018 is stated net of HK$3.7 million of prepayments for the purchase of property, plant and equipment at 30 September 2017.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was HK$100.4 million in the year ended 30 September 2018 compared to a HK$61.6 million generation in the year ended 30 September 2017. The inflow for the year ended 30 September 2018 includes HK$100.0 million in relation to the proceeds from the loan from a non-controlling shareholder, HK$8.2 million in relation to the issue of shares on the exercise of share options and a HK$5.8 million reduction in bank borrowings. The inflow for the year ended 30 September 2017 included HK$94.5 million gross proceeds from the shares issued pursuant to the public offer and placing of the Company's shares on the Stock Exchange of Hong Kong on 21 November 2016, 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.

CAPITAL EXPENDITURE

Capital expenditure in the year ended 30 September 2018, financed by internal resources and credit facilities, amounted to HK$5.2 million (2017: HK$22.0 million). The capital expenditure for the year ended 30 September 2018 is stated net of HK$3.7 million of prepayments for the purchase of property, plant and equipment at 30 September 2017 which have subsequently been transferred to property, plant and equipment in the current year.

TREASURY MANAGEMENT

During the year ended 30 September 2018, 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 of 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 2018, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$116.5 million (2017: HK$113.2 million) comprising overdraft, asset-backed lending facility, 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 asset-backed lending facility, an assignment over specific trade receivables. At 30 September 2018, the amount drawn down under the asset-backed lending facility was HK$33.0 million (2017: HK$36.8 million), the import loan facility was HK$9.6 million (2017: HK$11.7 million) and the term loan was HK$13.2 million (2017: HK$13.4 million).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities (2017: nil).

COMMITMENTS

As at 30 September 2018, the Group had no capital commitments (2017: HK$14.2 million) 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$60.2 million (2017: HK$72.1 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 30 September 2018, there have been no acquisitions or disposals of subsidiaries and associated companies by the Group.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

For the year ended 30 September 2018, sales to the largest customer and the five major customers accounted for 46.0% and 81.7%, respectively of total revenue for the year ended 30 September 2018.

Purchases from the largest supplier and the five largest suppliers accounted for 30.0% and 53.2%, respectively, of total purchases for the year ended 30 September 2018.

As at the date of this annual report, 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 2018, the Group had 811 employees (2017: 819) working in Hong Kong, the PRC and the USA. 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) for the year ended 30 September 2018 amounted to HK$82.4 million (2017: HK$76.2 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 January 2018, the Company announced that it had substantially completed the relocation of its manufacturing premises from the facility in Songgang to a manufacturing facility in Guangming. Because the relocation took longer than originally anticipated and certain estimates used in the prospectus of the Company dated 9 November 2016 (the "Prospectus") allocation have been superseded by actual costs, the plan of the issue of proceeds, while not significantly different from the original allocation, has nonetheless changed.

	Actual net proceeds as per Prospectus allocation HK$ million	**Incurred up to 30 September 2018 (including VAT) HK$ million**
Streamlining and modernising production processes and relocation of the production facility:		
Purchase of plant and equipment	29.4	23.7
Leasehold improvements	15.4	11.0
Inventory build	10.3	10.3
Relocation costs	6.9	11.8
	62.0	56.8
General working capital	0.5	0.5
	62.5	57.3
Unutilised at 30 September 2018		5.2
		62.5

The physical relocation is now complete and the new facility is fully operational. Plans to purchase the remaining items of plant and equipment have been deferred until further feasibility on their effectiveness is carried out. Any unused net proceeds have been deposited with banks in Hong Kong.

OUTLOOK

Now that we have completed the physical relocation of our production facilities, one of our major strategic initiatives, we can now concentrate on our principal business objective of achieving sustainable growth in our current business and strengthening our capabilities to secure more business opportunities.

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

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

New product development and proactive marketing of our skills and competencies are pivotal to our future growth plans. Historically, focus has been on design and manufacture to customer requirements rather than the design and promotion of our own brands. In order to promote and enhance our product and corporate recognition, we need to engage more directly in marketing and promotional activities. We have already restructured our sales team and have undertaken additional recruitment and resource to engage in more market networking activities to promote and expand our customer base.

The increased raw material prices we witnessed in the year have seen some abatement in recent months. However, there are still significant challenges ahead including the uncertainty over the introduction and implementation of higher tariffs for our sales into the USA, our largest overseas market.

Biographical Details of Directors and Senior Management

The profiles of Directors as at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Lee Chris Curl ("Mr. Lee"), aged 42, was appointed as an executive Director of the Company and various subsidiaries, Chief Financial Officer and Joint Company Secretary of the Company on 20 September 2018. Mr. Lee was appointed as a member of the Nomination and Corporate Governance Committee (the "NCGC") of the Company on 11 October 2018.

Mr. Lee joined Huobi Group in May 2018 and is currently one of the directors of Huobi Global Limited as well as the group Chief Financial Officer and board secretary of Huobi Universal Inc. Prior to joining Huobi Group, Mr. Lee joined PAX Global Technology Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 0327) as the group Financial Controller from August 2011 to 2013 and became its Chief Financial Officer from 2013 to August 2016. Mr. Lee was the group Chief Financial Officer of OKC Holdings Corporation from October 2016 to May 2018, and the Chief Executive Officer of OKEX Technology Company Limited from May 2017 to May 2018. Mr. Lee obtained a bachelor's degree in accountancy from the University of Wollongong in Australia in 2001. Thereafter, Mr. Lee received a master's degree in commerce and fund management from The University of New South Wales in Australia. Mr. Lee is also a Chartered Accountant in Australia, a Hong Kong Certified Public Accountant and Financial Risk Manager (FRM), and has over 15 years' professional experience in corporate governance, strategic planning & execution, global business expansion and capital market in digital payment and fintech sectors.

Mr. Huo Li ("Mr. Huo"), aged 30, was appointed as an executive Director of the Company and various subsidiaries on 20 September 2018. Mr. Huo was appointed as a member of the remuneration committee (the "Remuneration Committee") of the Company on 11 October 2018.

Mr. Huo joined Huobi Group in 2017 and is currently one of the directors of Huobi Global Limited and the managing director of Huobi Capital Inc. Prior to joining Huobi Capital Inc., Mr. Huo joined the Bank of America Merrill Lynch in June 2011 and subsequently became its assistant vice president before his departure in May 2015. From May 2015 to June 2016, Mr. Huo worked in the client service team in Ullink Limited, a company providing market leading multi-asset trading technology and infrastructure for buy-side and sell-side market participants. Mr. Huo obtained a bachelor's degree in engineering from The Hong Kong University of Science and Technology in 2011. Mr. Huo is experienced in financial services, technology and blockchain industries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei ("Mr. Duan"), aged 49, was appointed as an independent non-executive Director, the chairman of the NCGC and a member of the audit committee of the Company (the "Audit Committee") on 11 October 2018.

Mr. Duan is currently an independent non-executive Director of Digital Domain Holdings Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 0547) and the chairman of its audit committee, nomination committee and remuneration committee. Mr. Duan holds a master's degree in economics from Renmin University of China and a master's degree in business administration from the University of Chicago. He has over 20 years of experience in securities trading and the investment industry. Mr. Duan is currently the investment manager of MIE Holdings Corporation, a company listed on the Stock Exchange of Hong Kong (stock code: 1555). He joined Atlantis Investment Management as Fund Manager in 2010 and registered as a Commodity Trading Advisor (CTA) in the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) in 2004.

Mr. Yip Wai Ming ("Mr. Yip"), aged 53, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the NCGC and the Remuneration Committee of the Company on 11 October 2018.

Mr. Yip is currently an independent non-executive Director of the following companies listed on the Stock Exchange of Hong Kong: PAX Global Technology Limited (stock code: 0327), Ju Teng International Holdings Limited (stock code: 3336), Far East Horizon Limited (stock code: 3360), Poly Culture Group Corporation Limited (stock code: 3636), and Yida China Holdings Limited (stock code: 3639). Mr. Yip acted as an independent non-executive director of BBMG Corporation (stock code: 2009) from April 2009 to November 2015. Mr. Yip served as a deputy general manager at Yuzhou Properties Company Limited from February 2010 to September 2010. He also served as the Chief Financial Officer at Haier Electronics Group Co., Ltd (stock code: 1169) from year of 2004 to 2009. Mr. Yip graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1987. He also holds a bachelor's degree in law from the University of London. Mr. Yip is a fellow of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

Mr. Zhou Guohua ("Mr. Zhou"), aged 46, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company on 11 October 2018.

Mr. Zhou has approximately twenty years of experience in corporate management and industrial investment. Mr. Zhou is a holder of Global Finance GFD of the PBC School of Finance, Tsinghua University. He successively served as a president and Chief Executive Officer of Greater China region for Rimbunan Hijau Group, a world top 500 company; the president of Contemporary Eastern Investment Co., Ltd. (a company listed on the main board of Shenzhen Stock Exchange in China with stock code: 000673); the chairman of Huiyin Holdings Group Limited (a company listed on the main board of the Stock Exchange in China with stock code: 1178, formerly known as VITOP Group Limited). Mr. Zhou is currently an independent Director of He Li Chen Guang International Culture Media Co., Ltd (a company listed on the New Third Board of China with stock code: 836201.OC), the chairman of Net Media Company Limited, a Director of Asia Pacific Financial Holding Limited and a Director of Internet Media Croup Co., Limited.

JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl was appointed as the company secretary of the Company on 20 September 2018 and his biography is set out on page 13 to this annual report. After the appointment of Mr. Ng Gilbert Man Him as Joint Company Secretary of the Company with effect from 21 November 2018, Mr. Lee became joint company secretary, together with Mr. Ng.

Mr. Ng Gilbert Man Him ("Mr. Ng"), aged 31, was appointed as the other Joint Company Secretary of the Company on 21 November 2018. Mr. Ng is a solicitor as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) and hence complies with the requisite qualifications under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong. Mr. Ng joined Huobi Group as legal counsel in May 2018. Mr. Ng graduated from The University of Kansas with a bachelor's degree in economics and philosophy in 2009. He was awarded the Juris Doctor degree by The Chinese University of Hong Kong in 2011. In 2014, Mr. Ng was awarded the Postgraduate Certificate in Laws by The University of Hong Kong. Mr. Ng was admitted as a solicitor to the High Court of Hong Kong Special Administrative Region in 2016 and he had worked in various local and international law firms in Hong Kong, advising on white collar crime, commercial litigation and regulatory matters. Prior to joining Huobi Group, Mr. Ng was the in-house legal counsel of OKLink Technology Company Limited.

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 2018.

CORPORATE GOVERNANCE CODE

During the year ended 30 September 2018, 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 (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save and except that the Group did not have an internal audit function as per code provision C.2.5 of the CG Code.

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 2018 and up to the date of this annual report.

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 Remuneration Committee and the Nomination Committee (the "NC") on 27 October 2016. 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

On 21 August 2018, Huobi Global Limited and Trinity Gate Limited (together, the "Purchasers") entered into a sale and purchase agreement with New Wave Capital Limited (the former controlling shareholder of the Company) and Mr. Simon Nai-cheng Hsu, being the ultimate beneficial owner of New Wave Capital Limited, pursuant to which New Wave Capital Limited agreed to sell and the Purchasers agreed to purchase in aggregate approximately 71.67% of the then issued shares of the Company (the "Change of Control Transaction"). Due to the change of controlling shareholder of the Company, the composition of the Board has changed.

As at the date of this annual report, the Board comprised five members, consisting of two executive Directors and three independent non-executive Directors. The Directors for the year ended 30 September 2018 and up to the date of this report are as follows:-

Executive Directors
Mr. Lee Chris Curl *(Chief Financial Officer) (appointed with effect from 20 September 2018)*
Mr. Huo Li *(appointed with effect from 20 September 2018)*
Mr. Henry Woon-hoe Lim *(Former Chief Executive Officer) (resigned with effect from 11 October 2018)*
Mr. Ho Hon Ching *(resigned with effect from 11 October 2018)*

Non-executive Director
Mr. Simon Nai-cheng Hsu *(Former Chairman) (resigned with effect from 11 October 2018)*

Independent non-executive Directors
Mr. Duan Xiongfei *(appointed with effect from 11 October 2018)*
Mr. Yip Wai Ming *(appointed with effect from 11 October 2018)*
Mr. Zhou Guohua *(appointed with effect from 11 October 2018)*
Mr. Pochin Christopher Lu *(resigned with effect from 11 October 2018)*
Mr. Danny J Lay *(resigned with effect from 11 October 2018)*
Ms. Hui Leung Ching Patricia *(resigned with effect from 11 October 2018)*

Biographical details of the Directors of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 14 of this annual report.

The Board has assessed the independence of all the independent non-executive Directors and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgement. Throughout the year ended 30 September 2018, the number of independent non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the role of chairman of the Company (the "Chairman") and chief executive officer of the Company (the "CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

During the year ended 30 September 2018, Mr. Simon Nai-cheng Hsu was the Chairman and Mr. Henry Woon-hoe Lim was the CEO. Prior to their resignations on 11 October 2018, the Chairman and CEO were not related to each other and there were clear divisions among their responsibilities with a view to achieving a balance of power and authority.

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 CEO is responsible for running the Company's businesses and implementing the Group's strategic plans and business goals.

Following the resignation of Mr. Simon Nai-cheng Hsu and Mr. Henry Woon-hoe Lim as the Directors on 11 October 2018, they ceased to be the Chairman and the CEO, respectively and as at the date of this annual report, the Company had no Chairman and CEO. The Board is of the view that although there is no Chairman or CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operations of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively.

The Company will, at the time when it thinks fit, arrange for new appointments of the Chairman and the CEO in order to fill up the vacancies left due to the resignations of the Chairman and the CEO.

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

There was no relationship among the members of the Board during the year ended 30 September 2018.

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 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 NCGC, and where appropriate, revisions will be made with the approval from the Board.

Board and Board Committee Meetings

The company secretary/joint company secretaries of the Company (the "Company Secretary") shall assist 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 least three days before the intended date of a Board and Board committee 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 Board committee 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.

Board approval is also given by circulation of resolution in writing pursuant to the memorandum and articles of association of the Company (the "Memorandum and Articles of Association") on urgent matters which require decisions in tight timeframes and hence convening a Board meeting is difficult or not practicable. In the case where a resolution in writing is circulated, sufficient information and explanatory materials will also be provided to the Directors at the same time.

If a substantial shareholder of the Company or a Director has a conflict of interest in a matter (including material transactions with connected persons) which the Board determines to be material, the Board will hold a physical meeting (as long as time is allowed to convene a Board meeting) to consider the relevant matter first before any subsequent approval is given by way of circulation of a resolution in writing. The independent non-executive Directors who, and whose close associates, have no material interest in the relevant matter, will be present at such Board meeting.

Attendance records

The attendance records of all the Directors for Board and Committee meetings for the year ended 30 September 2018 are set out below:

	Number of meetings attended／Number of meetings held				
Directors	**Full Board**	**Audit Committee**	**NCGC**	**Remuneration Committee**	**AGM[(9)]**
Executive Directors					
Mr. Henry Woon-hoe Lim[(1)]	6/6	N/A	N/A	N/A	1/1
Mr. Ho Hon Ching[(2)]	6/6	N/A	N/A	N/A	1/1
Mr. Lee Chris Curl[(3)]	0/0	N/A	0/0	N/A	0/0
Mr. Huo Li[(4)]	0/0	N/A	N/A	0/0	0/0
Non-executive Director					
Mr. Simon Nai-cheng Hsu[(5)]	6/6	N/A	1/1	1/1	1/1
Independent non-executive Directors					
Mr. Pochin Christopher Lu[(6)]	5/6	3/3	N/A	1/1	0/1
Mr. Danny J Lay[(7)]	5/6	3/3	1/1	1/1	1/1
Ms. Hui Leung Ching Patricia[(8)]	6/6	3/3	1/1	N/A	1/1
Number of meetings held during the year	6	3	1	1	1

Notes:

(1) Mr. Henry Woon-hoe Lim resigned as an executive Director and the CEO with effect from 11 October 2018.

(2) Mr. Ho Hon Ching resigned as an executive Director with effect from 11 October 2018.

(3) Mr. Lee Chris Curl was appointed as an executive Director with effect from 20 September 2018.

(4) Mr. Huo Li was appointed as an executive Director with effect from 20 September 2018.

(5) Mr. Simon Nai-cheng Hsu resigned as a non-executive Director and ceased to be the Chairman with effect from 11 October 2018.

(6) Mr. Pochin Christopher Lu resigned as an independent non-executive Director with effect from 11 October 2018.

(7) Mr. Danny J Lay resigned as an independent non-executive Director with effect from 11 October 2018.

(8) Ms. Hui Leung Ching Patricia resigned as an independent non-executive Director with effect from 11 October 2018.

(9) AGM held on 27 March 2018.

N/A: not applicable

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 or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before each Board or Board committee meeting. Such information supplied shall be complete and reliable. 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.

Directors are entitled to have access to board papers and related materials in a form and quality sufficient to enable the Board to make informal decisions on matters placed before it. Directors will receive a prompt and full response to his/her enquiry, if any is raised.

Appointments and re-election of Directors

Directors can be nominated by members of the Board during the year ended 30 September 2018 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 Memorandum and 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 of the CG Code, 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 Memorandum and Articles of Association. Accordingly, Mr. Lee Chris Curl, Mr. Huo Li, Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Zhou Guohua will hold office as the Directors until the forthcoming annual general meeting of the Company where they will be subject to re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 30 September 2018, 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 views of the independent non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise judgement, make decisions and act objectively in the interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Company has received written annual confirmation from each independent non-executive Director of his/her 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 FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on page 54 of this annual report.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company has established the NCGC with written terms of reference in compliance with code provision 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.

Up until 11 October 2018, the NCGC comprised three members, namely Ms. Hui Leung Ching Patricia (former chairman of the NCGC), Mr. Danny J Lay and Mr. Simon Nai-cheng Hsu, the majority being independent non-executive Directors. On that date, all of the above members resigned and were replaced by Mr. Duan Xiongfei (chairman of the NCGC), Mr. Yip Wai Ming and Mr. Lee Chris Curl.

The principal duties and a summary of work done 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;

– 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; 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 Board has adopted a Board diversity policy and the objectives and progress on achieving those objectives are set out on page 18 of this annual report.

REMUNERATION COMMITTEE

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

Up until 11 October 2018, the Remuneration Committee comprised three members, namely Mr. Danny J Lay (former chairman of the Remuneration Committee), Mr. Pochin Christopher Lu and Mr. Simon Nai-cheng Hsu. On that date, all of the above members resigned and were replaced by Mr. Zhou Guohua (chairman of the Remuneration Committee), Mr. Yip Wai Ming and Mr. Huo Li. 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 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.

For the remuneration of executive Directors of the Company, the Remuneration Committee adopted the model described in code provision B.1.2(c)(i) of the CG Code.

The remuneration of the non-executive Directors and independent non-executive Directors is determined by the Board under the recommendation of the Remuneration Committee by reference to their duties and responsibilities in the Group, time involvement and the prevailing market conditions.

AUDIT COMMITTEE

The Company has established an Audit Committee on 27 October 2016 with written terms of reference aligned with Rule 3.21 of the Listing Rules and code provision 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. Up until 11 October 2018, the Audit Committee comprised three independent non-executive Directors, namely Mr. Pochin Christopher Lu (former chairman of the Audit Committee), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia. On that date, all the above members resigned and were replaced by Mr. Yip Wai Ming (chairman of the Audit Committee), Mr. Duan Xiongfei and Mr. Zhou Guohua.

The primary duties and a summary of work done 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 judgements 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;

– 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; and

– to review the continuing connected transactions.

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 52 to 56.

The total remuneration paid and payable to BDO Limited in respect of audit services for the year ended 30 September 2018 amounted to approximately HK$748,000.

Non-audit services provided to the Group mainly represented: the reporting accountant's work in connection with the review service and other services provided by BDO Limited of approximately HK$269,000 and HK$109,000, respectively; taxation services provided by BDO Tax Limited of approximately HK$101,000; and Environmental, Social and Governance Reporting support service conducted by BDO Financial Services Limited of approximately HK$158,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing, maintaining and evaluating the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

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.

As at the date of this annual report, the Group did not have an internal audit function as required by code provision C.2.5 of the CG Code. The Board reviewed the need for setting up an internal audit function during the year ended 30 September 2018 and considered that there was no such an immediate need after taking into account the Group's current circumstances, such as the focused nature and geographical spread of the business, the relatively simple operating structure and small size of the Group and the close involvement in supervision and management of daily operations, which could provide sufficient risk management and internal control for the Group.

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.

During the year ended 30 September 2018, the Board conducted a review on 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; financial controls; 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 than 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

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members. Mr. Som Wai Tong Ivan, who was an employee of the Company and the Company Secretary during the year ended 30 September 2018, has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Mr. Lee Chris Curl and Mr. Ng Gilbert Man Him, who became the Joint Company Secretary with effect from 20 September 2018 and 21 November 2018 respectively, are also employees of the Company. With effect from 11 October 2018, Mr. Som Wai Tong Ivan resigned as the Joint Company Secretary.

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 and www.irasia.com/listco/hk/pantronics in a timely fashion.

The AGM of the Company will be held on 27 March 2019. 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 an extraordinary general meeting

Pursuant to the Memorandum and 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 Suite 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 Memorandum and Articles of Association, 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 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 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 Suite 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

CONSTITUTIONAL DOCUMENTS

During the year ended 30 September 2018, there was no change in the Company's constitutional documents.

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, or by fax at (852) 3166 8299.

The Directors are pleased to present their annual report and consolidated audited financial statements for the Group for the year ended 30 September 2018.

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 2018 are set out in the section headed "Management Discussion and Analysis" on pages 5 to 12 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2018 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 57 to 124 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 March 2019 to 27 March 2019, all days inclusive, in order to determine the identity of the shareholders who are entitled to attend the AGM on 27 March 2019, 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 2019.

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 125 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 ended 30 September 2018 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 39 to 51 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 sustainability.

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 continues 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 ended 30 September 2018 are set out in the consolidated statement of changes in equity on pages 60 to 61 to the consolidated financial statements.

Details of the movement in the reserves of the Company are set out in note 43 to the consolidated financial statements.

At 30 September 2018, the Company's reserves, for distribution purposes, showed a surplus of HK$95,439,000 comprising accumulated losses of HK$100,116,000 and other reserves of HK$195,555,000.

The Directors 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 CONTINUING CONNECTED TRANSACTIONS

On 17 May 2018, Pantene Industrial Co. Limited ("Pantene Industrial"), a wholly owned subsidiary of the Company entered into a framework agreement with Spear & Jackson Group Limited ("S&J"), a fellow subsidiary undertaking of the Company at that date. The agreement provided for Pantene Industrial, by itself or any of its subsidiaries, to supply electronic and electrical products and services to S&J and S&J, by itself or any other subsidiaries of S&J, to supply measurement and magnetic products and services to Pantene Industrial, in each case in accordance with the terms and conditions of the framework agreement in the period commencing 1 October 2017 to 30 September 2020, both days inclusive.

S&J is an indirectly wholly-owned subsidiary of SNH Global Holdings Limited ("SNHGH"). SNHGH is wholly owned by Mr. Simon Nai-cheng Hsu, who up until 11 October 2018 was a non-executive Director and a controlling shareholder of the Company. S&J is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As a result, the entering into the framework agreement with S&J and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Full details of the transactions were disclosed in the Company's announcement dated 17 May 2018.

During the year ended 30 September 2018, the approximate products and services provided/received by the Group and the annual caps in respect of each category of the transactions are set out below:

Nature of products and services provided under the Framework Agreement	Products and services provider	Products and services recipient	Applicable annual cap(s) under the Framework Agreement	Total amount incurred for the year ended 30 September 2018
1. Supply of electronic and electrical products and services	Pantene Industrial	S&J	HK$4,301,000	HK$2,021,000
2. Supply of measurement and magnetic products and services	S&J	Pantene Industrial	HK$665,000	HK$633,000

During the year ended 30 September 2018, the above continuing connected transactions were carried out within their respective annual caps. The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions were all conducted and entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. The auditor of the Company has also confirmed to the Board in writing that the above continuing connected transactions for the year ended 30 September 2018 (i) have received the approval of the Board of Directors; (ii) have been entered into in accordance with the relevant pricing policies of the Group; (iii) have been entered into in accordance with the relevant agreements governing the transactions; and (iv) have not exceeded the annual cap disclosed in the Company's announcement dated 17 May 2018. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong.

Save as disclosed above, there were no other connected transactions or continuing 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 39 to the consolidated financial statements, no other significant related party transactions were conducted by the Group during the year ended 30 September 2018. The Company confirms that it has complied with the disclosure requirements under chapter 14A of the Listing Rules in relation to the above mentioned related party transaction which also constitutes continuing connected transaction of the Group as defined in the Listing Rules.

DIRECTORS

The Directors of the Company during the year ended 30 September 2018 and up to the date of this annual report were as follows:

Executive Directors

Mr. Lee Chris Curl *(appointed with effect from 20 September 2018)*
Mr. Huo Li *(appointed with effect from 20 September 2018)*
Mr. Henry Woon-hoe Lim *(resigned with effect from 11 October 2018)*
Mr. Ho Hon Ching *(resigned with effect from 11 October 2018)*

Non-executive Director and Chairman

Mr. Simon Nai-cheng Hsu *(resigned with effect from 11 October 2018)*

Independent non-executive Directors

Mr. Duan Xiongfei *(appointed with effect from 11 October 2018)*
Mr. Yip Wai Ming *(appointed with effect from 11 October 2018)*
Mr. Zhou Guohua *(appointed with effect from 11 October 2018)*
Mr. Pochin Christopher Lu *(resigned with effect from 11 October 2018)*
Mr. Danny J Lay *(resigned with effect from 11 October 2018)*
Ms. Hui Leung Ching Patricia *(resigned with effect from 11 October 2018)*

In accordance with the Company's Memorandum and 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 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 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, which may be terminated in accordance with the terms of the service contract.

DIRECTORS' BIOGRAPHIES

The biographical details of the Directors of the Company are set out on pages 13 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 2018 are set out in note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS, ARRANGEMENT OR TRANSACTION

Save as disclosed in the related party transactions in note 39 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract, arrangement or transaction of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 30 September 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 September 2018, 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 Company 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 for the year ended 30 September 2018. The independent non-executive Directors have conducted such review for the period from 21 November 2016 (the "Listing Date") up to 30 September 2018 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 2018, 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 ended 30 September 2018, 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 immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong. 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. 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 Stock Exchange of Hong Kong's daily quotations sheet on the date of grant of the option;

(ii) the average closing price of the shares as stated in the Stock Exchange of Hong Kong'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.

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

	Date of grant	Exercise price	Outstanding at 1 October 2017	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2018[7]
		HK$	*Number*	*Number*	*Number*	*Number*	*Number*
Executive Directors							
Mr. Henry Woon-hoe Lim[1]	3.4.2017	1.50	1,500,000	–	(1,500,000)	–	–
Mr. Ho Hon Ching[2]	3.4.2017	1.50	1,000,000	–	(1,000,000)	–	–
Non-executive Director							
Mr. Simon Nai-cheng Hsu[3]	3.4.2017	1.50	500,000	–	(500,000)	–	–
Independent non-executive Directors							
Mr. Pochin Christopher Lu[4]	3.4.2017	1.50	300,000	–	–	–	300,000
Mr. Danny J Lay[5]	3.4.2017	1.50	300,000	–	–	–	300,000
Ms. Hui Leung Ching Patricia[6]	3.4.2017	1.50	300,000	–	–	(300,000)	–
Other eligible participants	3.4.2017	1.50	3,100,000	–	(2,495,000)	(605,000)	–
			7,000,000	–	(5,495,000)	(905,000)	600,000

The options granted 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.

Notes:

(1) Mr. Henry Woon-hoe Lim resigned as an executive Director and the CEO with effect from 11 October 2018.

(2) Mr. Ho Hon Ching resigned as an executive Director with effect from 11 October 2018.

(3) Mr. Simon Nai-cheng Hsu resigned as a non-executive Director and ceased to be the Chairman with effect from 11 October 2018.

(4) Mr. Pochin Christopher Lu resigned as an independent non-executive Director with effect from 11 October 2018.

(5) Mr. Danny J Lay resigned as an independent non-executive Director with effect from 11 October 2018.

(6) Ms. Hui Leung Ching Patricia resigned as an independent non-executive Director with effect from 11 October 2018.

(7) All total outstanding 600,000 share options held by Mr. Pochin Christopher Lu and Mr. Danny J Lay as at 30 September 2018 have been cancelled on 5 October 2018. As at the date of this annual report, no outstanding share options existed.

(8) The weighted average closing price of the shares of the Company immediately before the dates of exercise of options was HK$4.04.

794,332 share options were exercised under the rules of the Scheme between 1 October 2017 and 21 August 2018. On 21 August 2018, Huobi Global Limited (the "Offeror"), a company incorporated in the Cayman Islands with limited liability and Trinity Gate Limited, a company incorporated in the BVI with limited liability, NWC and Mr. Simon Nai-cheng Hsu, entered into the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company. On the same day, six option shares vendors entered into six options shares agreements in relation to the sale and purchase of 4,166,668 option shares. A further 534,000 option shares were exercised following the sale and purchase agreement bringing the total of share option shares exercised in the year ended 30 September 2018 to 5,495,000.

Additionally, as part of the mandatory unconditional cash offer following the sale and purchase agreement, a cash offer was made by the Offeror and the Offeror received valid acceptances in respect of a total of 905,000 share options prior to 30 September 2018 under the cash offer. At the same time, the Company cancelled such share options and HK$396,000, representing the relevant portion of the share option reserve, was transferred to retained profits. On 5 October 2018, the Offeror received valid acceptances in respect of the remaining 600,000 share options and these share options were cancelled.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and 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

The Group has not made any donations during the year ended 30 September 2018 (2017: HK$1,000,000).

MANDATORY UNCONDITIONAL CASH OFFER

On 21 August 2018, Huobi Global Limited and Trinity Gate Limited acquired 215,576,000 ordinary shares (the "Sale Shares") from NWC, representing approximately 71.67% of the ordinary shares of the Company in issue as at 29 August 2018, the date of the joint announcement pursuant to Rule 3.5 of the Takeovers Code by Huobi Global Limited and the Company, at a total consideration of HK$586,366,720.00 (equivalent to HK$2.72 per Sale Share). The transaction of the Sale Shares was completed on 21 August 2018.

In addition, on 21 August 2018, each of Mr. Simon Nai-cheng Hsu, Mr. Henry Woon-hoe Lim, Mr. Ho Hon Ching, Mr. Fung Chow Man, Mr. Som Wai Tong Ivan and Ms. Alaina Shone (collectively, the "Option Shares Vendors"), individually entered into six option shares agreements (collectively, the "Option Shares Agreements") with Trinity Gate Limited in relation to the sale and purchase of a total of 4,166,668 ordinary shares (the "Option Shares") to be issued by the Company to the Option Shares Vendors upon exercise of their respective rights under the share option scheme of the Company adopted on 27 October 2016, for the total consideration of HK$11,333,336.96 (equivalent to HK$2.72 per Option Share). The transactions of the Option Shares under each of the Option Shares Agreements were completed on 5 October 2018.

Upon completion of the transactions of the Sale Shares and Option Shares, the controlling shareholder of the Company changed from NWC to Huobi Global Limited, which is held by Huobi Universal Inc. and Huobi Capital Inc. as to 70% and 30% of its totally issued shares, respectively.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, Huobi Global Limited and parties acting in concert (including Trinity Gate Limited) are required to make mandatory unconditional cash offers (the "Mandatory Unconditional Cash Offers") for all the issued shares of the Company (other than those already owned and/or agreed to be acquired by Huobi Global Limited and Trinity Gate Limited) ("Offer Share(s)") and to cancel all outstanding options ("Offer Share Option(s)"). The offer price for each Offer Share was HK$2.72, and the offer price for cancellation of each Offer Share Option was HK$1.22.

The Mandatory Unconditional Cash Offers were closed on 10 October 2018. For details of the Mandatory Unconditional Cash Offers, please refer to the Company's announcements dated 29 August 2018, 19 September 2018, 28 September 2018, 5 October 2018 and 10 October 2018, respectively, and the Company's composite document dated 19 September 2018.

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

As at 30 September 2018, 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 Stock Exchange of Hong Kong pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or 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 Stock Exchange of Hong Kong, were as follows:

(i) Long Positions in the Company's shares and underlying shares

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

Name of Directors	Capacity/nature of interest	Number of shares interested	Percentage of shareholding(*)
Mr. Simon Nai-cheng Hsu(1)	Beneficial owner	866,000	0.28%
Mr. Henry Woon-hoe Lim(2)	Beneficial owner	1,750,000	0.57%
Mr. Ho Hon Ching(3)	Beneficial owner	1,000,000	0.33%

(b) Share options

Name of Directors	Capacity/nature of interest	Number of underlying shares interested	Percentage of underlying shares over the Company's issued share capital(*)
Mr. Pochin Christopher Lu(4)	Beneficial owner	300,000	0.10%
Mr. Danny J Lay(5)	Beneficial owner	300,000	0.10%

Note:

(1) Mr. Simon Nai-cheng Hsu resigned as a non-executive Director and ceased to be the Chairman with effect from 11 October 2018.

(2) Mr. Henry Woon-hoe Lim resigned as an executive Director and the CEO with effect from 11 October 2018.

(3) Mr. Ho Hon Ching resigned as an executive Director with effect from 11 October 2018.

(4) Mr. Pochin Christopher Lu resigned as an independent non-executive Director with effect from 11 October 2018.

(5) Mr. Danny J Lay resigned as an independent non-executive Director with effect from 11 October 2018.

(*) The percentage has been calculated based on 305,495,000 shares in issue as at 30 September 2018.

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

As at 30 September 2018, the interests or short positions of those persons (other than the Director whose interests are disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number of shares interested	Percentage of shareholding(*)
Huobi Global Limited ("Huobi Global")	Beneficial owner	199,295,269	65.24%
Huobi Capital Inc. ("Huobi Capital")	Interest of controlled corporation *(Note 1)*	199,295,269	65.24%
Huobi Universal Inc. ("Huobi Universal")	Interest of controlled corporation *(Note 1)*	199,295,269	65.24%
Techwealth Limited ("Techwealth")	Interest of controlled corporation *(Note 1)*	199,295,269	65.24%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation *(Note 1)*	199,295,269	65.24%
Trinity Gate Limited ("Trinity Gate")	Beneficial owner	20,447,399	6.69%
Timeness Vision Limited ("Timeness Vision")	Interest of controlled corporation *(Note 2)*	20,447,399	6.69%
Teng Rongsong ("Mr. Teng")	Interest of controlled corporation *(Note 2)*	20,447,399	6.69%

(*) The percentage has been calculated based on 305,495,000 shares in issue as at 30 September 2018.

Note:

(1) Huobi Capital and Huobi Universal hold 30% and 70% interests, respectively, in the total issued shares of Huobi Global. Techwealth holds 58.44% interest in the total issued shares of Huobi Universal and Mr. Li holds 89.09% interest in the total issued shares of Techwealth and 100% interest in the total issued shares of Huobi Capital, respectively. Therefore, each of Huobi Capital, Huobi Universal, Techwealth and Mr. Li is deemed to be interested in the shares held by Huobi Global for the purpose of Part XV of the SFO.

(2) Trinity Gate is a wholly-owned subsidiary of Timeness Vision and in turn wholly and ultimately owned by Mr. Teng. Therefore, each of Timeness Vision and Mr. Teng is deemed to be interested in the shares held by Trinity Gate for the purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this 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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, from Listing Date 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 26 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this annual report, the Company has received from each of the independent non-executive Directors in writing a confirmation of his/her 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 2018 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 2018, 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

Lee Chris Curl
Executive Director
Hong Kong
17 December 2018

Environmental, Social and Governance Report

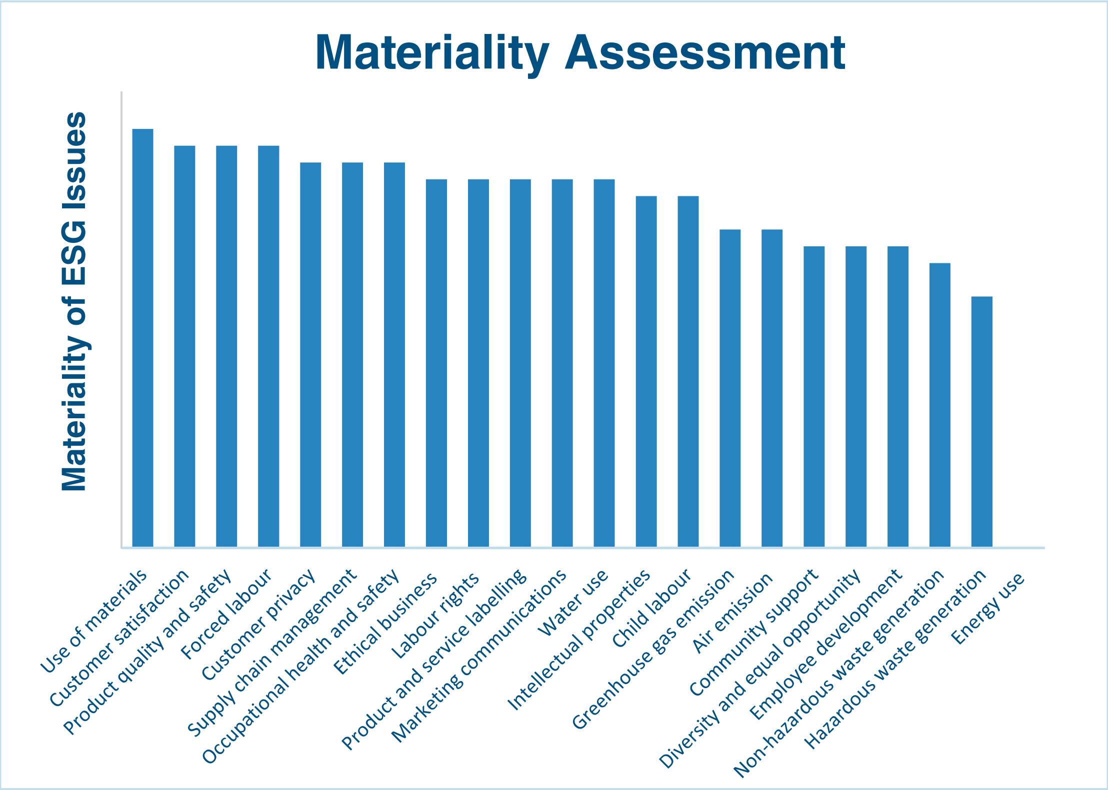
As a responsible corporation, Pantronics Holdings Limited (hereinafter "We", "Pantronics" and the "Company") understands that it has a great responsibility to bring positive impacts on the environment and the community where we operate. Through incorporating the corporate social responsibility ("CSR") into our daily business, we work hard to protect the environment, and care for the society and people whom we are working with.

To share our goals in sustainable development with our stakeholders, we are pleased to publish our second environmental, social and governance ("ESG") report covering the financial year from 1 October 2017 to 30 September 2018 (the "Reporting Period", "FY 2018"). This report is prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities, Hong Kong Exchanges and Clearing Limited ("HKEx"), and complied with the requirements of the "comply or explain" provisions. The reporting scope is confined to the company office in Hong Kong and our major subsidiaries with operations in manufacturing and sales of power-related and electrical or electronic products in Shenzhen (collectively, the "Group").

Through this ESG reporting, we hope to continually refine our corporate strategy for sustainable business growth, as well as delivering long-term values for our stakeholders. We would like to hear your feedback on our ESG report, please feel free to contact the company secretary of the Company at Suite 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is a vital and fundamental exercise for the Group to understand and identify material ESG issues pertinent to its business operation, and simultaneously to formulate the corporate strategies, goals and directions in pursuit of sustainable business development. We have engaged various key stakeholder groups, including board of directors and employees, through an online questionnaire this year where they can share their perspectives and concerns on a wide range of ESG topics influencing the decision-making and accountability of the Group. A materiality assessment was then carried out with the results used to prioritise the ESG issues that matter most to the stakeholders. The result is presented in the chart below:



From the materiality assessment, we acknowledged that we should place our focus on our products and services – especially customer satisfaction and customer privacy, as well as product quality and safety. We also strive for better management in our supply chain such as enhancing the occupational health and safety as well as prohibiting forced labour at workplace. On the environmental aspect, efforts should be made on better use of materials such as raw materials during manufacturing. With better understanding of our stakeholders' expectation, we have compiled the ESG report and disclosed relevant information to address stakeholders' concerns. Details of our efforts are presented in later sections.

SUSTAINABILITY IN PRODUCTS

With a mission to become a first-class electronics and electrical manufacturer in the industry, the Group has envisioned to be a totally customer-oriented organisation with a goal in maximising customer satisfaction. We strive to satisfy the needs and expectations of our customers through offering products and services with superior quality and hence gain their trust and loyalty. During the Reporting Period, we have successfully managed our operations and were not aware of any non-compliance with relevant laws and regulations relating to health and safety, advertising and labelling relating to products and services provided and methods of redress.

Maintaining Favourable Product Quality and Safety

The Group has implemented various management systems which are certified to be in conformity to the various internationally recognised standards for management and control of quality (e.g. ISO9001, TS16949 and IATF16949, among others) in our factory operations. Through the effective implementation of our quality management system, we effectively manage and address the product safety and quality assurance issues throughout our production lifecycle – i.e., from product design, materials selection and procurement, product manufacturing to products delivery, which has helped significantly prevent the occurrence of severe product defects in our manufacturing process. In practice, production process management plans are established for the overall quality control and monitoring in our production operations by taking our customers' specific requirements into account, and the compliance requirements in the applicable laws and regulations, especially those related to product safety requirements. Our Quality Assurance Department conducts regular quality assurance inspections to ensure the manufactured products are in line with the required product drawings, technical specifications and our pre-determined quality standards. Besides, we perform annual assessments to identify if there are any sub-standard products, diagnose the root cause(s) of non-conformity and determine the corrective solutions to avoid reoccurrence of such cases.

Enhanced Customer Experience

The Group has established a customer service section ("CSS") to deal with the queries and complaints from customers. Our computerised operations enable our CSS to check the status on outstanding orders, delivery and shipment or prepare weekly or monthly progress status report upon request. The CSS is experienced in addressing and responding to customer complaints and problem resolution.

We value our customers' opinion and feedback on our products and services provision, which drives us to enhance our performance and service quality on an on-going basis. We carry out customer satisfaction survey annually and invite our customers to evaluate our performance based on the following criteria: technical competency, products and services quality, punctuality of delivery and timeliness of customer response. We accordingly analyse the survey results to identify our strengths and weaknesses, and determine relevant enhancement strategies and improvement action plans so that continuously deliver tailor-made services to suit the different specific needs of our customers.

SUSTAINABILITY IN SUPPLY CHAIN

As a manufacturer produces a wide range of electronic and electrical products, Pantronics relies on the patronage of various vendors and contractors who support our product provision and business operation by supplying a series of raw materials, parts and sub-assembles. Therefore, the selection of suppliers and contractors is of high importance as this will affect our products and services quality directly. To maintain an effective and sustainable supply chain, we have implemented effective supplier management system to assess suppliers' qualifications and performance appropriately. We aim to choose and work with vendors with high technical capability, reliability and good practice for environmental protection in the provision of raw materials or services.

Adhering to our "Supplier Qualification Management Instruction", we invite all new vendors to fill in the supplier pre-qualification documents, in which assess their performance related to their technical competencies, quality management, and their compliance in safety and environmental aspects. These vendors are also required to submit product samples together with relevant declarations in relation to the use of hazardous substance against applicable international and national standards (e.g. Restriction of Hazardous Substances ("RoHS") and Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH")) to safeguard the environment and the well-being of end-users. This helps us evaluate the potential candidates in an objective and fair manner and select suitable suppliers in support of our operation. Only those suppliers that fulfil our requirements can become our approved suppliers of materials or service provision.

Continuous improvement is recognised fundamental to our daily operations. We carry out supplier performance assessment on our existing vendors and contractors quarterly, where we review their performance continuously. Where appropriate, corrective action plan(s) will be issued to the suppliers for rectification when suppliers fail to meet our performance standards. Furthermore, to encourage our suppliers in pursuit of sustainable development in their operations, we maintain a close dialogue with our suppliers by providing them with training in order to share the latest knowledge on quality, safety and good practice for the environment. We also provide necessary guidance on how to carry out green practices across the supply chain.

SUSTAINABILITY IN ENVIRONMENT

As the leader in the electronic and electrical industry, we fully recognise our responsibility on environmental conservation. We are dedicated to taking a leading role to move towards a low-carbon and sustainable business operation, by improving the resources efficiency and minimising the pollution on the environment.

We have implemented the environmental management system ("EMS") which is certified to the internationally recognised ISO 14001 standard in our factory operation. The EMS along with clear environmental policy enables us not only to strictly comply with relevant environmental legislation, but also to control and manage the identified environmental risks and opportunities along our business operation in a systematic manner, as well as making continuous improvement to meet evolving demands from customers in the long run.

We aim to minimise the environmental impacts from our operations, and to use our resources in a responsible way. To do so, relevant management procedures and working guidelines are developed to help us effectively manage the potential environmental risks throughout our operations, with the following focus areas: air emission, waste management and resources utilisation. During the Reporting Period, there was no material breach of relevant national environmental laws and regulations that had significant impact on the Group.

Air Emission

Air emissions are inevitably generated in our manufacturing process. A number of ventilation systems have been installed in the working area to maintain a good indoor air quality and thus to safeguard the workers' health. Our manufacturing facilities have been equipped with air treatment facilities to ensure that the produced exhausted gas is of proper treatment and discharged to chimneys with suitable heights for dilution before emitting to the atmosphere. To ensure that our air emission is complied with the regulatory standards, we invite certified external parties to conduct an air quality inspection at least annually. No non-conformity to the requirements of emission standard was found during the Reporting Period.

Waste Management

Various industrial wastes are produced in our manufacturing process. We have waste management system in place and provide standardised procedures for our staff to follow in managing, separating, storing and handling the hazardous and non-hazardous waste.

The disposal of hazardous wastes is handled by licensed third-party waste collectors. Some of the hazardous wastes, including waste batteries and waste chemicals, are recycled instead of sending them directly to landfills. All the generated hazardous wastes are carefully segregated and stored in designated containers to prevent leakage. We also arrange sufficient training to workers to ensure their safety at work, as well as preparing emergency response plans in case leakage occurs. For the non-hazardous wastes such as metals, waste scraps, plastics, paper and general refuse are properly sorted into recyclable waste and non-recyclable waste, and centrally stored in a designate area for collection. The collected recyclable wastes are then consigned to licensed waste collectors for recycling in a regular basis.

Use of Resources

Different kinds of resources (e.g. raw materials, energy and water) are utilised across our daily operations. We have set up guidelines to promote green culture at workplace, including in both our offices and manufacturing facilities, by the adoption of 4R (Reduce, Reuse, Replace and Recycle) principles. Employees are encouraged to reuse and recycle resourceful waste, for example, reuse single-sided printing paper for documents printing in office and reuse the waste metals, plastics and scraps materials as much as possible we can in our manufacturing facilities. Moreover, our production department analyses and reviews the amount of raw materials used in the production process in order to prevent wastage due to materials degradation and materials over-ordering.

To minimise the energy and water consumption and hence reduce the carbon emission and footprints, our well-established "Water & Electricity Conservation Standard" outlined the practices and measure of energy and water saving (e.g. purchase the electronic appliances with energy efficient models, carry out regular maintenance inspections ensuring the equipment functioned in optimal condition) that should be followed in our operations. Moreover, we display posters in public areas to raise employee awareness on conserving water. In order to look for continuous improvement, we set performance indicators for water and energy use, which enables us to monitor and measure the effectiveness of the implemented green practices and determine the areas of improvement for enhancing the energy and water efficiency in our activities.

Emergency Plan

We understand that emergency events such as fire and hazardous chemicals leakage, no matter natural disasters or incidents caused by human beings, can occur and result in environmental pollution and degradation. To effectively cope with the environmental emergencies, we have identified the potential emergency events and developed a series of emergency preparedness and response procedures for our people to follow in case of emergencies. An emergency working group has been established to ensure efficient responses and actions are undertaken to handle different scenarios. We also provide training as well as conduct emergency drills annually.

Environmental Performance

Concerning the environmental footprints arising from our business operations, we started to measure and keep track of our environmental performance in terms of our carbon footprint as well as the use of resources throughout the reporting period. We have summarised our environmental performance in the table below:

Greenhouse gas ("GHG") emissions[1]	**Unit**	**FY 2018**
Direct emissions ("Scope 1")[2]	Tonnes CO_2e	41.31
Energy indirect emissions ("Scope 2")[3]	Tonnes CO_2e	3,758.26
Other indirect emissions ("Scope 3")[4]	Tonnes CO_2e	3.64
Total GHG emissions	Tonnes CO_2e	3,803.21
Intensity		
Full-time Employee ("FTE")	Tonnes CO_2e/FTE	4.78
Product	Tonnes CO_2e/product (in piece)	0.00014

Resource use[1]	**Unit**	**FY 2018**
Consumed electricity	MWh	4,331.79
Energy intensity		
FTE	MWh/FTE	5.44
Product	MWh/product (in piece)	0.00016
Consumed water	m^3	29,319.08
Water intensity		
FTE	m^3/FTE	36.83
Product	m^3/product (in piece)	0.0011
Paper consumed	Tonnes	2.38
Paper intensity		
FTE	Tonnes/FTE	0.0030
Product	Tonnes/product (in piece)	0.000000087
Produced waste[5]	Tonnes	5.89
Waste intensity		
FTE	Tonnes/FTE	0.007
Product	Tonnes/product (in piece)	0.00000022
Packaging materials	Tonnes	115.47
Packaging materials intensity		
FTE	Tonnes/FTE	0.15
Product	Tonnes/product (in piece)	0.0000042

1 Our environmental data covered our core operations that pose material impacts to the environment. It also included our environmental performance in greenhouse gas ("GHG") emissions, energy consumption, water consumption, paper consumption, waste generation as well as waste generation during FY 2018.

2 Direct emissions ("Scope 1") only covered the GHG emissions generated from the combustion of fuels in mobile sources owned by the Group.

3 Energy indirect emissions ("Scope 2") only covered the GHG emissions generated from the purchased electricity.

4 Other indirect emissions ("Scope 3") only covered the GHG emissions generated from the air business travel by employees.

5 The figure represented the hazardous wastes generated in the Shenzhen factory only, and they were handled by licensed waste collectors for treatment. Data for non-hazardous waste was not recorded and information on the actual weight of the collected waste is not available.

As this is the first year for us to collect and disclose the environmental Key Performance Indicators ("KPI") data, the aforementioned environmental performance data is treated as our baseline information. Looking forward, we are going to review the collected information and will set suitable, quantitative environmental targets in our operations so as to drive continuous improvements. It is believed that with the implementation on the various environmental control measures, our environmental emissions and use of resources will be reduced. We will continue to monitor our environmental performance, and review the progress made by comparison with the baseline data to review and assess the effectiveness of the measures implemented.

SUSTAINABILITY IN EMPLOYMENT

Labour Practices

The Group offers competitive remuneration packages to retain talents in its workforce. To protect the interests of its employees, the Group has established various policies in relation to its labour practices, according to local and national labour laws and regulations. Comprehensive social and medical insurances, including mandatory provident fund, pension insurance, medical insurance, maternity insurance, housing provident funds and work-related injury insurance, are provided. In addition to statutory holidays, employees are entitled to paid annual leave, marriage leave, maternity leave, paternity leave, compassionate leave and sick leave. The Group also emphasises on working efficiency and thus does not encourage overtime work unless there are operational needs with management's approval in advance.

The Group strives to be an equal employer by ensuring its human resource practices are conducted in a fair and equal manner. Decisions of recruitment, wage management, performance elevation and promotion are made solely based on job-related factors such as position, experience, knowledge and performance. Differentiated treatment due to differences on the ground of nationality, age, gender, sexual orientation, ethnicity, disability, political inclination and other forms is strictly forbidden within the Group. Likewise, employees who failed to comply with the Company's rules and regulations consecutively or committed a criminal offence, are subject to disciplinary actions including summary dismissal where appropriate according to the procedures in the employee handbook.

Respecting human rights and caring about children, the Group strictly prohibits the employment of child and forced labour. To avoid underage and unconsented employment, job details are clearly explained and identification documents are checked before recruitment.

During the Reporting Period, we were not aware of any non-compliance with the relevant laws and regulations that had a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and the employment of child and forced labour.

Health and Safety

Shouldering its responsibility to maintain a healthy and safe working environment for all staff, the Group is committed to instilling the idea of "Safety First" mentally into its entire workforce. The Group has established comprehensive safety working policies and management procedures in order to protect employees from occupational hazards, and to maintain a safe and healthy working environment.

To reinforce our commitment on safety management, the 5S management - Seiri (Sort), Seiton (Set in order), Seiso (Shine), Seiketsu (Standardise), and Shitsuke (Sustain) has been implemented in our manufacturing facilities, aiming to promote a safe and efficient workplace, to minimise the risks of occupational injuries or accidents, and to enhance staff members' production efficiency, performance and morale. Regular inspections are conducted to ensure that this methodology is fully covered along our production operation with proper implementation.

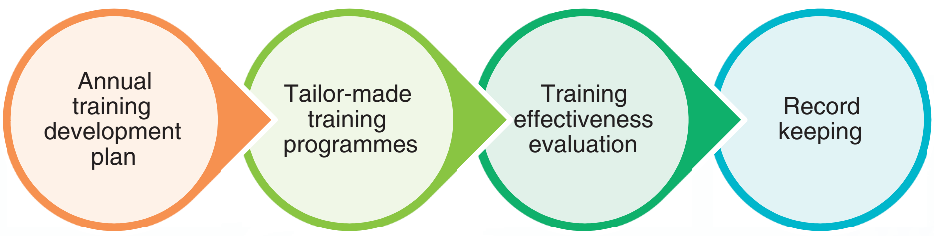
Our operation sites are installed with safety facilities, such as the exhaust-ventilation system, and are also equipped with first-aid boxes and emergency medicines. Employees who work under potential occupational hazards are also required to wear protective equipment such as masks and earplugs.

In order to strengthen employees' safety awareness, regular occupational safety education and training have been provided. Where necessary for specialised activities, corresponding specialised training is provided for workers. Their related safety knowledge, such as safety operation and emergency handling, will be assessed before allowing workers to commence works. In addition to safety training, drills for fire and other emergency situations are performed from time to time in order to minimise the occurrence of accidents and thus the causalities.

During the Reporting Period, we were not aware of any non-compliance with the relevant laws and regulations that had a significant impact relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

The Group believes appropriate and adequate training opportunities can enable its staff to enrich professional knowledge and skillsets, enhance working and product quality, stimulate potentials and cultivate its workforce.



A training development plan is designed based on the training demands proposed by departments and the Group's business strategy every year. Various training programmes, including internal and external training, will then be tailor-made according to the plan. After the completion of training programmes, the quality and effectiveness of the programmes will be evaluated by participants. Evaluation results will be recorded for further continuous improvement.

All new employees are required to go through the induction training on topics such as the Group's business philosophy, product quality policy and targets, safety precautions, occupational health, ISO9001 and ISO14001, in order to help them swiftly adapt to the new working environment. At our manufacturing facilities, all workers are trained and equipped with necessary skills and knowledge before they can commence works. Refresher training programmes are also conducted to ensure workers are kept up-to-date with the latest methods and practices.

A Harmonious Workplace

The spirit of teamwork is one of the Group's core values. To strengthen the bonds among employees and promote work-life balance, a range of activities were held during the Reporting Period such as company anniversary celebration and Mid-Autumn Festival celebration.

The Group also greatly values opinions and suggestions from staff members. An annual staff satisfaction survey is carried out to understand the degree of satisfaction of all levels of staff in terms of the management strategy, operation target, product quality, training opportunity, safety, remuneration package, working condition and any other aspects related to the Group. With the survey result, items that employees have expressed dissatisfaction are analysed and reported to the top management. Corrective and preventive plans are then carried out to address and improve those identified areas.

SUSTAINABILITY IN BUSINESS

Anti-corruption

We advocate honesty, fairness and transparency in all our business activities. To ensure all staff can perform their duties with high standard of business ethics and professionalism, we have established an anti-corruption policy and "Code of Anti-corruption and Confidentiality" (the "Code") for our staff to follow in our business dealings. All employees are required to sign the agreement to abide by the regulations and the standard of conducts under the Code. For instance, all employees are strictly prohibited from soliciting or receiving any advantages in form of money, gifts and hospitality or personal benefits, directly or indirectly. Staff are subject to penalty for non-compliance.

Likewise, with an aim to offer a business environment with fair competition and maintain long-stand business partnerships with our suppliers and contractors, we request all our suppliers and contractors to sign the "Anti-corruption and Rebate Agreement" and strictly follow the agreement in prohibiting from offering benefits such as presents and rebates to our staff. Should we find that any suppliers and contractors fail to comply with the rules under the agreement, we will terminate the business relationships with them. As a whistle-blower measure, we also offer a hotline for suppliers to report any non-compliance or misconducts.

During the Reporting Period, we were not aware of any breaches of relevant laws and regulations relating to bribery, extortion, fraud and money laundry that had a significant impact on the Group.

Privacy and Intellectual Property Rights Protection

To safeguard the privacy and intellectual property ("IP") rights (e.g. copyrights and patents etc.) of the Group and customers, all employees have the obligations to prevent unnecessary copy or leakage of the confidential information such as trade secrets, technical specifications and personal details of customers to any unauthorised parties without prior approval, by following the Code. Similarly, all our suppliers and contractors are required to follow the requirements of confidentiality and IP rights protection under the terms and conditions of our product or service contracts, and make their every effort to prevent loss or leakage of technical information (e.g. drawings, sample products and technical specifications) or infringement of intellectual properties rights. Suppliers will be dismissed in accordance with our contract if there is any form of non-compliance.

During the Reporting Period, we have successfully managed our operations and confirmed that no breaches of relevant laws and regulations relating to privacy matters of our products and services provided had been identified.

ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPI		Policies and Procedures	Explanation/ Reference Section
Aspect A Environmental			
A1 Emission	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management Policy Environmental Management Manual Solid Waste & Hazardous Waste Management Procedure	SUSTAINABILITY IN ENVIRONMENT - Air Emission SUSTAINABILITY IN ENVIRONMENT - Waste Management SUSTAINABILITY IN ENVIRONMENT - Use of Resources
KPI A1.1	The types of emissions and respective emission data.	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility, per store).	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A1.5	Description of measures to mitigate emissions and results achieved.		SUSTAINABILITY IN ENVIRONMENT - Air Emission

HKEx ESG Reporting Guide General Disclosures & KPI		Policies and Procedures	Explanation/ Reference Section
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Solid Waste & Hazardous Waste Management Procedure	SUSTAINABILITY IN ENVIRONMENT - Waste Management
A2 Use of Resource	Policies on the efficient use of resources including energy, water and other raw materials.	Environmental Management Policy Effective Resources Utilisation Standard Water & Electricity Conservation Standard Green Office Guideline	SUSTAINABILITY IN ENVIRONMENT - Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Water & Electricity Conservation Standard Green Office Guideline	SUSTAINABILITY IN ENVIRONMENT - Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water & Electricity Conservation Standard Green Office Guideline	SUSTAINABILITY IN ENVIRONMENT - Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	—	SUSTAINABILITY IN ENVIRONMENT - Environmental Performance
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Supplier Qualification Management Instruction Environmental Emergency Preparedness And Response Procedures	SUSTAINABILITY IN SUPPLY CHAIN SUSTAINABILITY IN ENVIRONMENT - Emergency Plan
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Emergency Preparedness And Response Procedures	SUSTAINABILITY IN ENVIRONMENT

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference Section
Aspect B Social			
B1 Employment	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Staff Handbook Human Resources Management Procedure	SUSTAINABILITY IN EMPLOYMENT - Labour Practices SUSTAINABILITY IN EMPLOYMENT - A Harmonious Workplace
B2 Health and Safety	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Staff Handbook Staff Occupational Health and Safety Standard Staff Training Procedure	SUSTAINABILITY IN EMPLOYMENT - Health and Safety
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Staff Training Procedure	SUSTAINABILITY IN EMPLOYMENT - Development and Training
B4 Labour Standards	Information on: a) the policies; and b) compliance with relevant laws and regulations that have significant impact on the issuer relating to preventing child and forced labour.	Staff Handbook Human Resources Management Procedure Staff Satisfaction Management Guideline	SUSTAINABILITY IN EMPLOYMENT - Labour Practices
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Supplier Qualification Management Instruction Supplier Performance Management Instruction Purchase Management Procedure Product Environmental Hazardous Substances Control Procedure	SUSTAINABILITY IN SUPPLY CHAIN

HKEx ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/Reference Section
B6 Product Responsibility	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Quality Management Manual Production Process Management Procedures Product Safety Management Guidelines Manufacturing and Service Operations Procedures Customer Satisfaction Management Procedure Nonconforming Product Control Procedure	SUSTAINABILITY IN PRODUCTS SUSTAINABILITY IN BUSINESS - Privacy and Intellectual Property Rights Protection
	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Corrective and Preventive Actions Procedure	SUSTAINABILITY IN PRODUCTS SUSTAINABILITY IN BUSINESS - Privacy and Intellectual Property Rights Protection
B7 Anti-corruption	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Employee Handbook Code of Anti-corruption and Confidentiality Anti-corruption and Rebate Agreement	SUSTAINABILITY IN BUSINESS - Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	We are at the stage of setting up community investment policy that suits the conditions of the Group.	—

Independent Auditor's Report

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 57 to 124, which comprise the consolidated statement of financial position as at 30 September 2018, and 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 2018, 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, we do not provide a separate opinion on these matters.

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 2018, the carrying amount of the Group's trade receivables was HK$60,786,000. 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$205,000 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.

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
Jonathan Russell Leong
Practising Certificate no. P03246

Hong Kong, 17 December 2018

Consolidated Statement of Profit or Loss

For the year ended 30 September 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**345,411**	306,422
Cost of sales		**(288,770)**	(238,789)
Gross profit		**56,641**	67,633
Other income	7	**6,918**	2,622
Interest income	8	**199**	85
Selling and distribution expenses		**(8,019)**	(8,500)
Administrative expenses		**(42,385)**	(43,356)
Restructuring costs	9	**—**	(1,208)
Finance costs	10	**(2,494)**	(1,369)
Listing expenses		**—**	(5,873)
Profit before income tax	11	**10,860**	10,034
Income tax expense	13	**(4,269)**	(4,840)
Profit for the year		**6,591**	5,194
Profit for the year attributable to owners of the Company		**6,591**	5,194

		2018 HK cents	2017 HK cents
Earnings per share	16		
– Basic		**2.1947**	1.7837
– Diluted		**2.1939**	1.7837

Consolidated Statement of Other Comprehensive Income

For the year ended 30 September 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**6,591**	5,194
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	**(2,383)**	671
Other comprehensive income for the year, net of tax	**(2,383)**	671
Total comprehensive income for the year attributable to owners of the Company	**4,208**	5,865

Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**39,621**	36,089
Prepayments for the purchase of property, plant and equipment	18	**—**	3,702
Prepaid land lease payments under operating leases	19	**287**	321
		39,908	40,112
Current assets			
Inventories	20	**39,280**	43,886
Trade and other receivables	21	**65,949**	65,539
Amounts due from fellow subsidiaries	22	**—**	908
Amount due from the immediate holding company	22	**—**	13
Cash and bank balances	23	**205,995**	90,231
		311,224	200,577
Current liabilities			
Trade and other payables	24	**60,101**	56,737
Bank and other borrowings	25	**55,803**	61,871
Provision	26	**—**	1,208
Tax payable		**9,635**	10,566
		125,539	130,382
Net current assets		**185,685**	70,195
Total assets less current liabilities		**225,593**	110,307
Non-current liabilities			
Bank and other borrowings	25	**86,540**	—
Deferred tax liabilities	28	**4,166**	1,711
		90,706	1,711
Net assets		**134,887**	108,596
EQUITY			
Share capital	29	**305**	300
Reserves	32	**134,582**	108,296
Total equity attributable to owners of the Company		**134,887**	108,596

The consolidated financial statements on pages 57 to 124 were approved and authorised for issue by the Board of Directors on 17 December 2018 and are signed on its behalf by:

Lee Chris Curl *Director*	**Huo Li** *Director*

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	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 2016	—	—	—	(2,495)	4,758	(8,148)	36,858	30,973
Issue of shares (note 29(i))	237	—	—	—	—	—	—	237
Shares issued pursuant to the public offer and placing (notes 29(ii) and 30(i))	63	94,437	—	—	—	—	—	94,500
Transaction costs attributable to the public offer and placing (note 30(ii))	—	(8,935)	—	—	—	—	—	(8,935)
Equity-settled share-based compensation expenses (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 2018 is HK$134,582,000 (2017: HK$108,296,000).

	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 2017	300	85,502	956	(2,495)	6,002	(7,477)	25,808	108,596
Issue of shares upon exercise of share options (notes 29(iii) and 30(iii))	5	10,735	(2,498)	—	—	—	—	8,242
Cancellation of share options (note 31)	—	—	(396)	—	—	—	396	—
Equity-settled share-based compensation expenses (note 31)	—	—	2,233	—	—	—	—	2,233
Fair value gain on loan from a non-controlling shareholder measured at fair value on inception, net of deferred tax* (note 25)	—	—	—	11,608	—	—	—	11,608
Transactions with owners	5	10,735	(661)	11,608	—	—	396	22,083
Profit for the year	—	—	—	—	—	—	6,591	6,591
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	—	—	(2,383)	—	(2,383)
Total comprehensive income for the year	—	—	—	—	—	(2,383)	6,591	4,208
Appropriation of statutory reserve	—	—	—	—	373	—	(373)	—
At 30 September 2018	305	96,237	295	9,113	6,375	(9,860)	32,422	134,887

Note:-

* comprising a HK$13,902,000 fair value gain on the HK$100,000,000 interest-free loan less related deferred tax of HK$2,294,000 (note 25).

Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax	**10,860**	10,034
Adjustments for:		
Amortisation of prepaid land lease payments under operating leases	**34**	34
Depreciation of property, plant and equipment	**4,128**	2,514
(Reversal of impairment loss)/impairment loss on inventories	**(731)**	2,646
Interest expenses on bank borrowings	**2,052**	1,369
Imputed interest expense on other loan from a non-controlling shareholder	**442**	—
Interest income	**(199)**	(85)
Equity-settled share-based compensation expenses	**2,233**	956
Gain on disposal of property, plant and equipment	**(1,090)**	—
Impairment loss on trade receivables	**205**	2,663
Restructuring charge	**—**	1,208
Operating profit before working capital changes	**17,934**	21,339
Decrease/(increase) in inventories	**5,337**	(25,044)
Increase in trade and other receivables	**(615)**	(6,010)
Decrease/(increase) in amounts due from fellow subsidiaries	**908**	(661)
Increase/(decrease) in trade and other payables	**3,364**	(2,168)
Restructuring costs	**(1,208)**	—
Cash generated from/(used in) operations	**25,720**	(12,544)
Income tax paid	**(4,862)**	(8,242)
Net cash generated from/(used in) operating activities	**20,858**	(20,786)
Cash flows from investing activities		
Purchase of property, plant and equipment, net of prior year prepayments for the purchase of property, plant and equipment	**(5,221)**	(21,968)
Prepayments for the purchase of property, plant and equipment	**—**	(3,702)
Proceeds from disposal of property, plant and equipment	**1,090**	—
Interest received on bank deposits and balances	**199**	85
Decrease/(increase) in amount due from immediate holding company	**13**	(14)
Net cash used in investing activities	**(3,919)**	(25,599)

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Net cash (outflow)/inflow in trust receipts and export loans		**(2,105)**	4,915
Proceeds from invoice discounting facility		**323,335**	287,497
Repayments of invoice discounting facility		**(327,085)**	(283,623)
Interest paid on bank borrowings		**(2,052)**	(1,369)
Proceeds from term loan		**3,654**	13,400
Repayments of term loan		**(3,558)**	—
Proceeds from other loan from a non-controlling shareholder		**100,000**	—
Issue of shares on exercise of share options		**8,242**	—
Dividends paid		**—**	(45,000)
Proceeds from issue of ordinary shares		**—**	237
Shares issued pursuant to the public offer and placing		**—**	94,500
Transaction costs attributable to the public offer and placing debited to equity		**—**	(8,935)
Net cash generated from financing activities		**100,431**	61,622
Net increase in cash and cash equivalents	33	**117,370**	15,237
Effect of foreign exchange rate changes		**(1,606)**	538
Cash and cash equivalents at beginning of the year		**90,231**	74,456
Cash and cash equivalents at end of the year		**205,995**	90,231
Analysis of the balance of cash and cash equivalents			
Cash and bank balances	23	**205,995**	90,231

1. GENERAL INFORMATION

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

Up until 21 August 2018, the immediate holding company of the Company was New Wave Capital Limited ("NWC"), a company incorporated in the BVI with limited liability. Up until 21 August 2018, the Directors of the Company considered the ultimate holding company to be SNH Global Holdings Limited, a company incorporated in the BVI with limited liability and the ultimate controlling party as Mr. Simon Nai-cheng Hsu.

As disclosed in the joint announcement to the Stock Exchange of Hong Kong (the "Joint Announcement"), on 21 August 2018, Huobi Global Limited ("Huobi Global"), a company incorporated in the Cayman Islands with limited liability and Trinity Gate Limited, a company incorporated in the BVI with limited liability, NWC and Mr. Simon Nai-cheng Hsu, entered into a sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company as at the date of the Joint Announcement. Completion took place on 21 August 2018, after which the Company's immediate holding company became Huobi Global and the ultimate holding company is Huobi Universal Inc., a company incorporated in the Cayman Islands with limited liability. The ultimate controlling party is Mr. Li Lin.

The consolidated financial statements on pages 57 to 124 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 Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("HK$'000"), unless otherwise stated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new or amended HKFRSs – effective from 1 October 2017

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 2018.

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

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 7 – Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes on financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the disclosures require the following to be disclosed: changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

A reconciliation between the opening and closing balances of these items is provided in note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 35, the application of these amendments has no impact on the Group's consolidated financial statements.

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014 - 2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9, Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]

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

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

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

4 Effective for annual periods beginning on or after 1 January 2021.

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

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

HKFRS 9 - Financial Instruments

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

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

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

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

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

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

HKFRS 15 - Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

HKFRS 16 – Leases

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

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

As at 30 September 2018, the Group had non-cancellable operating lease commitments of approximately HK$60,163,000 as disclosed in note 38. 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.

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

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

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

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

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

The Directors of the Company anticipate that the application of the other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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, interests 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 and buildings 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 related companies 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Loans and receivables – *continued*

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.

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.

Borrowings

Borrowings 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 and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity – continued

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

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 interests 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.

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 (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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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 profits.

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.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the grant is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are 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.

Government grants

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

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

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

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.

5. SEGMENT INFORMATION

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

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

Geographical information

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

	2018 **HK$'000**	2017 HK$'000
The People's Republic of China (the "PRC")		
– Mainland China	**28,170**	25,752
– Hong Kong (place of domicile)	**3,381**	2,177
USA	**177,396**	152,626
UK	**50,172**	36,962
Rest of Europe	**22,469**	26,340
Japan	**40,352**	42,836
Others	**23,471**	19,729
	345,411	306,422

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:

	2018 **HK$'000**	2017 HK$'000
Customer A	**158,773**	111,806
Customer B	**40,036**	41,618
Customer C	**34,439**	46,809

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**395**	1,446
Mainland China	**39,510**	38,662
Others	**3**	4
	39,908	40,112

6. REVENUE

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

7. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Gain on disposal of property, plant and equipment	**1,090**	—
Government grant	**1,122**	—
Sales of raw materials from cancelled orders	**1,866**	1,125
Sundry income	**2,840**	1,497
	6,918	2,622

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

8. INTEREST INCOME

	2018	2017
	HK$'000	HK$'000
Interest earned on bank deposits and balances	**199**	85

9. RESTRUCTURING COSTS

	2018	2017
	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 was obliged to make under non-cancellable operating lease contracts related to its former factory premises in the PRC and applicable dilapidations payable thereon, where applicable, at 30 September 2017. The unexpired term of the leases at that date was less than one year.

10. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest on bank borrowings	**2,052**	1,369
Imputed interest on other loan from a non-controlling shareholder (note 25)	**442**	—
	2,494	1,369

11. PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases (note 19)	**34**	34
Auditors' remuneration		
– audit service	**748**	968
– review service	**269**	390
– other services	**109**	—
Cost of inventories recognised as expenses	**288,770**	238,789
Depreciation of property, plant and equipment (note 17)	**4,128**	2,514
Exchange gains, net	**(629)**	(251)
(Reversal of impairment loss)/impairment loss on inventories (note 20)	**(731)**	2,646
Minimum lease payments in respect of rented premises	**14,390**	10,580
Impairment loss on trade receivables (note 21)	**205**	2,663
Employee benefit expenses (note 12)	**82,444**	76,233

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK$'000	2017 HK$'000
Staff salaries, allowances and welfare	**33,772**	31,537
Provident fund contributions (note 27)	**4,931**	4,684
Mandatory provident fund obligations (note 27)	**481**	476
Direct labour costs	**41,027**	38,580
Share-based compensation expenses (note 31)	**2,233**	956
	82,444	76,233

13. INCOME TAX EXPENSE

The income tax expense for the year comprises:

	2018	2017
	HK$'000	HK$'000
Current income tax – Hong Kong:		
Provision for the year	**1,619**	2,093
Under provision in respect of prior years	**—**	593
	1,619	2,686
Current income tax – Overseas:		
Provision for the year:		
Mainland China	**2,257**	1,726
USA	**28**	17
	2,285	1,743
Under provision in respect of prior years – Mainland China	**136**	—
	2,421	1,743
Deferred tax (note 28)	**229**	411
Income tax expense	**4,269**	4,840

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

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

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

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

13. INCOME TAX EXPENSE – *continued*

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$1,945,000 (2017: HK$1,711,000) 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).

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

	2018	2017
	HK$'000	HK$'000
Profit before income tax	**10,860**	10,034
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	**2,396**	2,694
Tax effect of non-deductible expenses	**1,276**	1,421
Tax effect of non-taxable income	**(388)**	(3)
Deduction of research and development costs	**—**	(1,288)
Tax effect of temporary differences arising from withholding tax on undistributed profits	**302**	411
Tax effect of temporary differences not recognised	**(58)**	(84)
Tax effect of tax losses not recognised	**663**	1,118
Under provision in respect of prior years	**136**	593
Others	**(58)**	(22)
Income tax expense	**4,269**	4,840

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 2018						
Executive Directors						
Mr. Henry Woon-hoe Lim	—	3,146	300	—	514	3,960
Mr. Ho Hon Ching	—	1,393	375	18	343	2,129
Mr. Lee Chris Curl (appointed 20 September 2018)	—	—	—	—	—	—
Mr Huo Li (appointed 20 September 2018)	—	—	—	—	—	—
Non-executive Directors						
Mr. Simon Nai-cheng Hsu	300	—	—	—	171	471
Mr. Pochin Christopher Lu*	200	—	—	—	103	303
Mr. Danny J Lay*	200	—	—	—	103	303
Ms. Hui Leung Ching Patricia*	200	—	—	—	103	303
Total	900	4,539	675	18	1,337	7,469

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	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

* Independent non-executive Directors

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

On 11 October 2018, Mr. Henry Woon-hoe Lim and Mr. Ho Hon Ching resigned as executive Directors and Mr. Simon Nai-cheng Hsu, Mr. Pochin Christopher Lu, Mr. Danny J Lay and Ms. Hui Leung Ching Patricia resigned as non-executive Directors. On the same date, Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Zhou Guohua were appointed as independent non-executive Directors of the Company.

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 (2017: Nil).

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2017: two) are Directors of the Company whose emoluments are included in note 14(a) above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and other benefits	**3,988**	3,720
Retirement benefit scheme contribution	**54**	54
Share-based compensation expenses	**405**	170
	4,447	3,944

Their emoluments were within the following bands:

	2018	2017
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**2**	2
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 (2017: Nil).

(c) Senior management's emoluments

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

	2018	2017
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

15. DIVIDENDS

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.

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.

There was no interim dividend for the year ended 30 September 2018.

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2018 and 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.

	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**6,591**	5,194
Weighted average number of ordinary shares for the purpose of basic earnings per share	**300,314,517**	291,197,260
	HK cents	HK cents
Basic earnings per share	**2.1947**	1.7837

The weighted average of 300,314,517 ordinary shares used in the calculation of basic earnings per share for the year ended 30 September 2018 comprises the 300,000,000 ordinary shares in issue at 30 September 2017, in addition to the weighted average of 5,495,000 share options exercised during the year ended 30 September 2018.

16. EARNINGS PER SHARE – *continued*

Basic earnings per share – *continued*

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 comprised 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 237,000,000 ordinary shares for the year ended 30 September 2016 which 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.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption of the conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company relate to the share options under the Company's share option scheme as explained in note 31.

	2018	2017
	HK$'000	HK$'000
Profit attributable to owners of the Company	**6,591**	5,194
Weighted average number of ordinary shares for the purpose of basic earnings per share	**300,314,517**	291,197,260
Adjustment for share options	**111,585**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**300,426,102**	291,197,260
	HK cents	HK cents
Diluted earnings per share	**2.1939**	1.7837

The computation of diluted earnings per share for the year ended 30 September 2017 did 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 for shares during that year.

There were no potential dilutive ordinary shares outstanding during the year ended 30 September 2017 so, 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 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 and 1 October 2017	19,583	8,435	51,060	3,398	91,610	174,086
Additions (note 18)	—	1,895	1,199	—	5,829	8,923
Disposals	—	—	(16,876)	—	(45,606)	(62,482)
Currency realignment	(587)	(122)	238	(46)	(358)	(875)
At 30 September 2018	**18,996**	**10,208**	**35,621**	**3,352**	**51,475**	**119,652**
Accumulated depreciation						
At 1 October 2016	8,832	—	48,945	3,644	73,832	135,253
Provided for 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 and 1 October 2017	9,360	92	50,005	3,132	75,408	137,997
Provided for the year	365	957	444	117	2,245	4,128
Disposals	—	—	(16,876)	—	(45,606)	(62,482)
Currency realignment	(272)	172	295	(44)	237	388
At 30 September 2018	**9,453**	**1,221**	**33,868**	**3,205**	**32,284**	**80,031**
Carrying values						
At 30 September 2018	**9,543**	**8,987**	**1,753**	**147**	**19,191**	**39,621**
At 30 September 2017	10,223	8,343	1,055	266	16,202	36,089

18. PREPAYMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2017 prepayments for the purchase of property, plant and equipment of HK$3,702,000 were incurred, representing deposits paid for leasehold improvements, furniture, fixtures and equipment and plant and equipment in relation to the relocation of the Group's production facilities in Songgang, Shenzhen, the PRC, to a self-contained leasehold manufacturing facility in Guangming New District, Shenzhen, the PRC. During the year ended 30 September 2018, upon final payment and installation/commissioning, as appropriate, the assets were transferred to property, plant and equipment (note 17). Additions in the year ended 30 September 2018 of HK$8,923,000 include HK$3,702,000 in relation to prepayments for the purchase of property, plant and equipment.

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:

	2018	2017
	HK$'000	HK$'000
At 1 October	**321**	355
Amortisation (note 11)	**(34)**	(34)
At 30 September	**287**	321

20. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**12,669**	13,610
Work-in-progress	**3,927**	3,991
Finished goods	**22,684**	26,285
	39,280	43,886

At 30 September 2018, the carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK$39,280,000 (2017: HK$43,886,000), after provision for impairment of HK$5,860,000 (2017: HK$6,567,000). During the year, reversal of impairment losses, arising on the sale of inventories previously provided for, of HK$731,000 (2017: impairment losses of HK$2,646,000) have been recognised in the consolidated statement of profit or loss.

21. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**60,786**	56,172
Less: impairment provisions	**—**	—
Trade receivables - net	**60,786**	56,172
Prepayments and other receivables	**5,163**	9,367
	65,949	65,539

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 2018, trade receivables of HK$61,013,000 (2017: HK$57,270,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2018, the asset-backed lending liabilities amounted to HK$33,013,000 (2017: HK$36,763,000) (note 25).

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

	2018	2017
	HK$'000	HK$'000
0 - 60 days	**51,561**	47,063
61 - 90 days	**5,992**	7,521
91 - 120 days	**3,210**	1,588
More than 120 days	**23**	—
	60,786	56,172

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

The Group allows credit periods ranging from 30 to 100 days (2017: 30 to 100 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*

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:

	2018	2017
	HK$'000	HK$'000
Neither past due nor impaired	**52,133**	50,130
0 - 60 days past due	**8,630**	6,042
61 - 90 days past due	**—**	—
91 - 120 days past due	**—**	—
Over 120 days past due	**23**	—
	60,786	56,172

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment as necessary in respect of these balances as there has not been a significant change in credit quality.

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

	2018	2017
	HK$'000	HK$'000
At 1 October	**—**	—
Impairment loss (note 11)	**205**	2,663
Uncollectible amounts written off	**(205)**	(2,663)
At 30 September	**—**	—

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

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

As mentioned in note 1, on 21 August 2018, NWC, the Company's immediate holding company at that date, entered into a sale and purchase agreement with Huobi Global Limited and Trinity Gate Limited in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company at that time. From that date, the companies referred to below, ceased to be fellow subsidiaries. However, because Mr. Simon Nai-cheng Hsu, one of the Directors of the Company up until 11 October 2018, has a beneficial interest in the companies listed below, they have been treated as related parties for the year ended 30 September 2018.

Balances at 30 September 2017, were included in amounts due from fellow subsidiaries and amount due from the immediate holding company, where appropriate. As at 30 September 2018, balances with these entities have been included within trade receivables.

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

	Balance as at 30 September		Maximum balance outstanding during the year	
	Trade receivables	Amounts due from fellow subsidiaries		
Name of borrowers	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bowers Eclipse Equipment Shanghai Co. Ltd.	**74**	74	**74**	74
Eclipse Tools Manufacturing Company Limited	**54**	53	**87**	53
Eclipse Magnetics Limited	**798**	722	**798**	789
Bowers Metrology Limited	**11**	26	**76**	42
Robert Sorby Limited	**—**	33	**33**	33
Eclipse Tools North America	**—**	—	**18**	32
	937	908	**1,086**	1,023
Amount due from the immediate holding company, NWC	**—**	13	**13**	852

23. CASH AND BANK BALANCES

	2018 HK$'000	2017 HK$'000
Cash at banks and in hand	**205,995**	90,231

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 cash and bank balances of the Group at the reporting date are bank balances denominated in Renminbi ("RMB") of HK$6,591,000 (2017: HK$6,792,000) 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

	2018 HK$'000	2017 HK$'000
Trade payables	**31,942**	35,615
Other payables and accruals	**28,159**	21,122
	60,101	56,737

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

	2018 HK$'000	2017 HK$'000
0 - 60 days	**23,841**	24,795
61 - 90 days	**6,597**	6,178
More than 90 days	**1,504**	4,642
	31,942	35,615

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

25. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	**9,603**	11,708
Asset-backed lending (note 21)	**33,013**	36,763
Term loan, subject to repayment on demand clause	**13,187**	13,400
Total overdrafts and bank borrowings	**55,803**	61,871
Other borrowings (unsecured) comprise:		
Loan from a non-controlling shareholder	**86,540**	—
	142,343	61,871
Secured	**55,803**	61,871
Unsecured	**86,540**	—
	142,343	61,871
Bank and other borrowings are repayable as follows:		
Within one year or on demand	**55,803**	61,871
More than two years but not exceeding five years	**86,540**	—
	142,343	61,871
Less: amounts shown under current liabilities	**(55,803)**	(61,871)
Amounts shown under non-current liabilities	**86,540**	—

Bank borrowings

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).

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 two 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 consolidated statement of financial position as at 30 September 2018 and 30 September 2017.

25. BANK AND OTHER BORROWINGS – *continued*

Bank borrowings – *continued*

The effective interest rates on the Group's floating rate borrowings range from 3.0% to 5.5% per annum (2017: 3.0% to 5.0% per annum).

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

Refer to note 34 for details of pledged assets.

Other borrowings

As part of the sale and purchase agreement detailed in notes 1 and 22, NWC, a company owned by Mr. Simon Nai-cheng Hsu, agreed to provide Pantene Industrial, a wholly owned subsidiary of the Group, an interest-free and unsecured loan of HK$100,000,000. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK$100,000,000 loan received was initially recognised at a fair value of HK$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK$11,608,000 (net of deferred tax of HK$2,294,000 (note 28)) has been credited to the other reserve. For the year ended 30 September 2018 imputed interest of HK$442,000 has been charged to the consolidated statement of profit or loss (2017: nil) (note 10).

26. PROVISION

	Onerous contract	
	2018	2017
	HK$'000	HK$'000
At 1 October	**1,208**	—
Provision for the year (note 9)	**—**	1,208
Utilisation of provision	**(1,208)**	—
Carrying amount at 30 September included in current liabilities	**—**	1,208

The onerous contract at 1 October 2017 represented the estimated present value of the future lease payments on the Group's former factory premises in the PRC, that the Group was obliged to make under a non-cancellable operating lease contract. In January 2018, the Group moved its production base from its former factory premises in Songgang, Shenzhen, the PRC, to its current production facility in Guangming New District, Shenzhen, the PRC. The lease contract for the old factory premises expired on 31 March 2018.

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$481,000 (2017: HK$476,000) (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 subsidiaries in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are 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$4,931,000 (2017: HK$4,684,000) (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 of a subsidiary	Loan from a non-controlling shareholder measured at fair value	Total
	HK$'000	HK$'000	HK$'000
At 1 October 2016	1,300	—	1,300
Charge to the consolidated statement of profit or loss (note 13)	411	—	411
Carrying amount at 30 September 2017 and 1 October 2017	1,711	—	1,711
Deferred tax impact of loan from a non-controlling shareholder measured at fair value (note 25)	—	2,294	2,294
Charge/(credit) to the consolidated statement of profit or loss (note 13)	302	(73)	229
Currency realignment	(68)	—	(68)
Carrying amount at 30 September 2018	**1,945**	**2,221**	**4,166**

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 2018, a provision of HK$302,000 has been charged to the consolidated statement of profit or loss representing 5% unremitted earnings incurred in the year ended 30 September 2018 (2017: HK$411,000).

28. DEFERRED TAX LIABILITIES – *continued*

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:

	2018	2017
	HK$'000	HK$'000
Unused tax losses	**101,904**	97,292
Other temporary differences	**3,299**	3,297
	105,203	100,589

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits 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 HK$0.001 each	Amount HK$
Authorised:		
At 1 October 2016, 30 September 2017 and 30 September 2018	500,000,000	500,000
Issued and fully paid:		
At 1 October 2016	200,000	200
Issue of shares on 17 November 2016 (note (i))	236,800,000	236,800
Issue of shares pursuant to the public offer and placing on 21 November 2016 (note (ii))	63,000,000	63,000
At 30 September 2017	300,000,000	300,000
Issue of shares upon exercise of share options (note (iii))	5,495,000	5,495
At 30 September 2018	**305,495,000**	**305,495**

Notes:

(i) Pursuant to the shareholder's resolution dated 17 November 2016, 236,800,000 ordinary shares were issued and allotted to the immediate holding company, NWC, at par value of HK$0.001 each, thus bringing the total of shares issued to NWC to 237,000,000 ordinary shares at par value of HK$0.001 each.

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

(iii) The subscription rights attaching to 5,495,000 share options were exercised at a subscription price of HK$1.50 per share, resulting in the issue of 5,495,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$8,242,000. HK$8,237,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$2,498,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2018, was transferred from the share option reserve to share premium account.

(iv) 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 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
Arising from issue of shares on exercise of share options (note (iii))	10,735
At 30 September 2018	**96,237**

Notes:

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

(iii) As detailed in note 29(iii) above, subscription rights attaching to 5,495,000 share options were exercised at a subscription price of HK$1.50 per share, resulting in the issue of 5,495,000 new shares at par value of HK$0.001 each for a total cash consideration of HK$8,242,000. HK$8,237,000 representing the difference between the subscription price and the par value was added to share premium. In addition, HK$2,498,000 representing that portion of the share option reserve in relation to the exercise of the share options during the year ended 30 September 2018, was transferred from the share option reserve to 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 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.

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

As at 30 September 2018, the total number of shares available for issue under the Scheme was 30,000,000 (2017: 30,000,000) representing 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange of Hong Kong. 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.

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 Stock Exchange of Hong Kong'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 Stock Exchange of Hong Kong'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 the option.

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

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

The fair value of the options granted on 3 April 2017 has been calculated by an external valuer using the Binomial Model. The assumptions used were 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. At the date the options were granted on 3 April 2017, this was determined to be 1.67%. 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.

Based on the fair values derived from the above pricing model, the fair value of the share options granted during the year ended 30 September 2017 was approximately HK$3,189,000 (HK$0.456 each).

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

Movement and transactions during the year ended 30 September 2018:

794,332 share options were exercised under the rules of the Scheme between 1 October 2017 and 21 August 2018. On 21 August 2018, Huobi Global Limited (the "Offeror"), a company incorporated in the Cayman Islands with limited liability and Trinity Gate Limited, a company incorporated in the BVI with limited liability, NWC and Mr. Simon Nai-cheng Hsu, entered into the sale and purchase agreement in relation to the sale and purchase of an aggregate of 215,576,000 sale shares, representing approximately 71.67% of the entire issued share capital of the Company. On the same day, six option shares vendors entered into six options shares agreements in relation to the sale and purchase of 4,166,668 option shares. A further 534,000 option shares were exercised following the sale and purchase agreement bringing the total of share option shares exercised in the year ended 30 September 2018 to 5,495,000.

Additionally, as part of the mandatory unconditional cash offer following the sale and purchase agreement, a cash offer was made by the Offeror and the Offeror received valid acceptances in respect of a total of 905,000 share options prior to 30 September 2018 under the cash offer. At the same time, the Company cancelled such share options and HK$396,000, representing the relevant portion of the share option reserve, was transferred to retained profits. On 5 October 2018, the Offeror received valid acceptances in respect of the remaining 600,000 share options and these share options were cancelled.

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

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 2017	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2018
Executive Directors							
Mr. Henry Woon-hoe Lim	3.4.2017	1.50	1,500,000	—	(1,500,000)	—	—
Mr. Ho Hon Ching	3.4.2017	1.50	1,000,000	—	(1,000,000)	—	—
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3.4.2017	1.50	500,000	—	(500,000)	—	—
Independent non-executive Directors							
Mr. Pochin Christopher Lu	3.4.2017	1.50	300,000	—	—	—	300,000
Mr. Danny J Lay	3.4.2017	1.50	300,000	—	—	—	300,000
Ms. Hui Leung Ching Patricia	3.4.2017	1.50	300,000	—	—	(300,000)	—
Other eligible participants	3.4.2017	1.50	3,100,000	—	(2,495,000)	(605,000)	—
			7,000,000	—	(5,495,000)	(905,000)	600,000
Weighted average exercise price			HK$1.50	—	HK$1.50	HK$1.50	HK$1.50

Note:

The weighted average share price at the date of exercise of options exercised during the year was HK$4.04 (2017: nil).

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

The movement in the number of share options under the Scheme during the year ended 30 September 2017 are as follows:

	Date of grant	Exercise price HK$	Outstanding at 1 October 2016	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 30 September 2017
Executive Directors							
Mr. Henry Woon-hoe Lim	3.4.2017	1.50	—	1,500,000	—	—	1,500,000
Mr. Ho Hon Ching	3.4.2017	1.50	—	1,000,000	—	—	1,000,000
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3.4.2017	1.50	—	500,000	—	—	500,000
Independent non-executive Directors							
Mr. Pochin Christopher Lu	3.4.2017	1.50	—	300,000	—	—	300,000
Mr. Danny J Lay	3.4.2017	1.50	—	300,000	—	—	300,000
Ms. Hui Leung Ching Patricia	3.4.2017	1.50	—	300,000	—	—	300,000
Other eligible participants	3.4.2017	1.50	—	3,100,000	—	—	3,100,000
			—	7,000,000	—	—	7,000,000
Weighted average exercise price			—	HK$1.50	—	—	HK$1.50

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

Share-based compensation expenses of HK$2,233,000, including a HK$815,000 (2017: nil) accelerated vesting charge due to the early vesting of share options issued by the Company in prior year in relation to the mandatory unconditional cash offer, were charged to the consolidated statement of profit or loss for the year (2017: HK$956,000) (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 pages 60 to 61 of the financial statements.

Share premium

The share premium comprises 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 and on exercise of share options, the amount previously recognised in the share option reserve is transferred to share premium.

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 includes 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.

During the year ended 30 September 2018, the HK$100,000,000 loan from a non-controlling shareholder was measured at fair value on inception resulting in a fair value gain of HK$11,608,000, net of deferred tax, which has been credited to the other reserve.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are 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	2018 HK$'000	2017 HK$'000
Net increase in cash and cash equivalents		**117,370**	15,237
Effect of foreign exchange rates		**(1,606)**	538
Net movement in cash and cash equivalents		**115,764**	15,775
Repayment of bank borrowings/(new bank borrowings raised)		**5,759**	(22,189)
Other loan from a non-controlling shareholder measured at fair value on inception		**(86,098)**	—
Imputed interest on other loan from a non-controlling shareholder		**(442)**	—
Effect of foreign exchange rates on bank borrowings		**309**	—
Net cash at 1 October		**28,360**	34,774
Net cash at 30 September		**63,652**	28,360
Represented by:			
Cash and cash equivalents	23	**205,995**	90,231
Interest–bearing bank borrowings - amounts due within one year	25	**(55,803)**	(61,871)
Other borrowings – amounts due more than one year	25	**(86,540)**	—
		63,652	28,360

34. PLEDGE OF ASSETS

At 30 September 2018, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$116,500,000, (2017: HK$113,324,000) comprising overdraft, asset-backed lending facility, 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 asset-backed lending facility, an assignment over specific trade receivables. At 30 September 2018, the amount drawn down under the asset-backed lending facility was HK$33,013,000 (2017: HK$36,763,000), the import loan facility was HK$9,603,000 (2017: HK$11,708,000) and the term loan was HK$13,187,000 (2017: HK$13,400,000) (note 25).

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	**Other loan**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 October 2017	61,871	—	61,871
Changes from financing cash flows:			
Net outflow in trust receipts and export loans	(2,105)	—	(2,105)
Proceeds from invoice discounting facility	323,335	—	323,335
Repayments of invoice discounting facility	(327,085)	—	(327,085)
Proceeds from term loan	3,654	—	3,654
Repayments of term loan	(3,558)	—	(3,558)
Interest paid	(2,052)	—	(2,052)
Proceeds from other loan from a non-controlling shareholder (note 25)	—	100,000	100,000
Total changes from financing cash flows	(7,811)	100,000	92,189
Other changes:			
Interest expenses	2,052	442	2,494
Effect of foreign exchange rates	(309)	—	(309)
Fair value gain on loan from a non-controlling shareholder measured at fair value on inception (note 25)	—	(13,902)	(13,902)
Total other changes	1,743	(13,460)	(11,717)
At 30 September 2018	55,803	86,540	142,343

36. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'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

37. CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (2017: nil).

38. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2018 HK$'000	2017 HK$'000
Operating leases which expire:		
Within one year	7,953	11,606
In the second to fifth years inclusive	31,471	31,024
Over five years	20,739	29,493
	60,163	72,123

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 3 months to 7 years (2017: 3 months to 8 years) with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

39. 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 2018, the Group supplied goods with a value of approximately HK$2,021,000 (2017: HK$4,181,000) to related companies. During the year ended 30 September 2018, the Group purchased property, plant and equipment from related companies of HK$633,000 (2017: HK$118,000). The related companies were fellow subsidiaries of the Company up until 21 August 2018 and Mr. Simon Nai-cheng Hsu, a Director of the Company who resigned on 11 October 2018, has a beneficial interest in these companies. The balances outstanding at 30 September 2018, with prior year comparatives, are set out in note 22 to the financial statements. Details of the other loan from a non-controlling shareholder are set out in note 25 to the financial statements.

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.

40. 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.

40. 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.

	2018	2017
	HK$'000	HK$'000
Trade receivables	**61,016**	56,491
Cash and cash equivalents	**75,494**	44,603
Trade payables	**(5,793)**	(7,285)
Borrowings	**(34,186)**	(38,897)
Gross exposure arising from recognised financial assets and liabilities	**96,531**	54,912

Assuming sensitivity to a 5% increase where the RMB strengthens against the US$ there would be an increase in profit of approximately HK$4.8 million for the year (2017: HK$2.7 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$2,295,000 (2017: HK$1,284,000) for the year. If there were a 1% increase/(decrease), the net interest would increase/(decrease) by approximately HK$887,000 (2017: HK$484,000) for the year.

40. 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.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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 as 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.

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

As at 30 September 2018

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than one year but not exceeding five years HK$'000
Non-derivative financial liabilities:				
Trade and other payables	**56,479**	**56,479**	**56,479**	**—**
Bank borrowings	**55,803**	**55,803**	**55,803**	**—**
Other borrowings	**86,540**	**100,000**	**—**	**100,000**
	198,822	**212,282**	**112,282**	**100,000**

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

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

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Liquidity risk – *continued*

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

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within one year HK$'000	After 1 year but less than 2 years HK$'000	After 2 years but less than 5 years HK$'000
As at 30 September 2018	**13,187**	**13,732**	**6,711**	**3,473**	**3,548**
As at 30 September 2017	13,400	14,435	2,758	5,710	5,967

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:

	2018 HK$'000	2017 HK$'000
Loans and receivables:		
Trade and other receivables*	**64,618**	64,116
Amounts due from fellow subsidiaries	**—**	908
Amount due from the immediate holding company	**—**	13
Cash and bank balances	**205,995**	90,231
	270,613	155,268

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$65,949,000 as at 30 September 2018 (2017: HK$65,539,000), is an amount of HK$1,331,000 representing prepayments (2017: HK$1,423,000).

40. FINANCIAL RISK MANAGEMENT AND POLICIES – *continued*

Summary of financial assets and liabilities by category – *continued*

Financial liabilities:

	2018 HK$'000	2017 HK$'000
Financial liabilities measured at amortised cost:		
Trade and other payables	**56,479**	55,562
Bank borrowings	**55,803**	61,871
Other borrowings	**86,540**	—
Provision	**—**	1,208
	198,822	118,641

41. 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 ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings and other borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	2018 HK$'000	2017 HK$'000
Total net cash (note 33)	**63,652**	28,360
Total capital	**134,887**	108,596
Debt to equity ratio	**N/A**	N/A

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 30 September 2018 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		Principal activities
			2018	2017	
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-related 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 (the "PRC")/Wholly foreign-owned enterprise	Registered capital US$1,700,000	**100%**	100%	Manufacture and sale of power-related and electrical/electronic products
Pan Guang Limited	British Virgin Islands ("BVI") limited liability company	10,000 shares of US$10,000	**100%**	—	Investment holding
Pan Ming Limited	BVI with limited liability	10,000 shares of US$10,000	**100%**	—	Inactive
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.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES – *continued*

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.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**316**	413
Interests in subsidiaries	**110,774**	11
	111,090	424
Current assets		
Prepayments and other receivables	**791**	873
Amounts due from subsidiaries (note (i))	**1,650**	112,545
Amount due from the immediate holding company (note (i))	**—**	13
Cash and bank balances	**15,682**	32,921
	18,123	146,352
Current liabilities		
Other payables	**5,057**	2,892
Amount due to a subsidiary (note (i))	**27,422**	47,422
Tax payable	**990**	990
	33,469	51,304
Net current (liabilities)/assets	**(15,346)**	95,048
Total assets less current liabilities	**95,744**	95,472
Net assets	**95,744**	95,472
EQUITY		
Share capital	**305**	300
Reserves (note (ii))	**95,439**	95,172
Total equity	**95,744**	95,472

The statement of financial position of the Company was approved by the Board of Directors on 17 December 2018 and is signed on its behalf by:

Lee Chris Curl *Director*	**Huo Li** *Director*

43. 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 HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 October 2016	—	—	99,023	(62,749)	36,274
Shares issued pursuant to the public offer and placing (notes 29(ii) and 30(i))	94,437	—	—	—	94,437
Transaction costs attributable to the public offer and placing (note 30(ii))	(8,935)	—	—	—	(8,935)
Equity-settled share-based compensation expenses (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
Issue of shares upon exercise of options (notes 29(iii) and 30(iii))	10,735	(2,498)	—	—	8,237
Cancellation of share options (note 31)	—	(396)	—	396	—
Equity-settled share-based compensation expenses (note 31)	—	2,233	—	—	2,233
Loss for the year	—	—	—	(10,203)	(10,203)
At 30 September 2018	96,237	295	99,023	(100,116)	95,439

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.

Details of the share option reserve and the share premium are set out in notes 32 and 30 respectively.

44. EVENTS AFTER THE REPORTING PERIOD

Apart from the change of the Company's directorship as set out in note 14(a), there are no other significant events requiring disclosure subsequent to 30 September 2018.

Five Years Financial Summary

For the year ended 30 September

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**345,411**	306,422	289,002	327,634	334,496
Profit before income tax	**10,860**	10,034	23,423	43,187	37,411
Income tax expense	**(4,269)**	(4,840)	(8,759)	(9,979)	(7,217)
Profit for the year	**6,591**	5,194	14,664	33,208	30,194
Attributable to:					
Owners of the Company	**6,591**	5,194	14,664	33,208	30,194

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**351,132**	240,689	175,917	178,933	239,561
Total liabilities	**(216,245)**	(132,093)	(144,944)	(101,258)	(117,186)
Net assets	**134,887**	108,596	30,973	77,675	122,375
Equity attributable to owners of the Company	**134,887**	108,596	30,973	77,675	122,375

PANTRONICS HOLDINGS LIMITED
桐成控股有限公司