PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018

Financial Highlights

	For the year ended 30 September		
	2018	**2017**	**%**
	HK$'000	**HK$'000**	**Change**
Revenue	345,411	306,422	12.7%
Gross profit	56,641	67,633	(16.3%)
Gross profit margin	16.4%	22.1%	(25.8%)
Profit before income tax	10,860	10,034	8.2%
Profit before income tax (excluding listing expenses, relocation costs and costs associated with the sale of shares)	18,063	23,933	(24.5%)
Profit attributable to owners of the Company	6,591	5,194	26.9%
Basic earnings per share	HK cents 2.1947	HK cents 1.7837	23.0%
Diluted earnings per share	HK cents 2.1939	HK cents 1.7837	23.0%
Net cash	63,652	28,360	124.4%
Total equity	134,887	108,596	24.2%

MANAGEMENT DISCUSSION AND ANALYSIS

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, duplicate 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 is lower than last year but we have been encouraged by the increased revenue experienced in the year.

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 Songgang 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 include 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 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 reflects 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 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.

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 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.

The Board (the "Board") of directors (the "Director(s)") of Pantronics Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2018 together with the comparative figures for the year ended 30 September 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 September

	Notes	**2018** **HK$'000**	**2017** **HK$'000**
Revenue	4	345,411	306,422
Cost of sales		(288,770)	(238,789)
Gross profit		56,641	67,633
Other income	5	6,918	2,622
Interest income	6	199	85
Selling and distribution expenses		(8,019)	(8,500)
Administrative expenses		(42,385)	(43,356)
Restructuring costs	7	—	(1,208)
Finance costs	8	(2,494)	(1,369)
Listing expenses		—	(5,873)
Profit before income tax	9	10,860	10,034
Income tax expense	10	(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	12		
- Basic		2.1947	1.7837
- Diluted		2.1939	1.7837

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September

	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

	Notes	As at 30 September 2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		39,621	36,089
Prepayments for the purchase of property, plant and equipment		—	3,702
Prepaid land lease payments under operating leases		287	321
		39,908	40,112
Current assets			
Inventories		39,280	43,886
Trade and other receivables	13	65,949	65,539
Amounts due from fellow subsidiaries		—	908
Amount due from the immediate holding company		—	13
Cash and bank balances		205,995	90,231
		311,224	200,577
Current liabilities			
Trade and other payables	14	60,101	56,737
Bank and other borrowings		55,803	61,871
Provision	15	—	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		86,540	—
Deferred tax liabilities		4,166	1,711
		90,706	1,711
Net assets		134,887	108,596
EQUITY			
Share capital	16	305	300
Reserves		134,582	108,296
Total equity attributable to owners of the Company		134,887	108,596

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2018

1. GENERAL INFORMATION

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

(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 Associate 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.

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.

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.

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. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

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

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

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

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. 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	**2017**
	HK$'000	**HK$'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.

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

4. REVENUE

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

5. 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 compensate research and development costs incurred by the Company's wholly-owned PRC-based subsidiary. There are no unfulfilled conditions relating to the grant.

6. INTEREST INCOME

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

7. RESTRUCTURING COSTS

	2018 HK$'000	2017 HK$'000
Onerous contract (note 15)	—	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 and applicable dilapidations payable thereon, where applicable, at 30 September 2017. The estimate may vary as a result of changes in the utilisation of the leased premises, where applicable. The unexpired term of the leases at that date was less than one year.

8. FINANCE COSTS

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

9. 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	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	4,128	2,514
Exchange gains, net	(629)	(251)
(Reversal of impairment loss)/impairment loss on inventories	(731)	2,646
Minimum lease payments in respect of rented premises	14,390	10,580
Impairment loss on trade receivables	205	2,663
Employee benefit expenses	82,444	76,233

10. INCOME TAX EXPENSE

The income tax expense for the year comprises:

	2018 HK$'000	2017 HK$'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	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 profits 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 assessment 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.

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.

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

	2018 HK$'000	2017 HK$'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

11. 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.

12. 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.

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 18 to the financial information contained in this announcement.

	2018 HK$'000	2017 HK$'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.

13. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'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).

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

	2018 HK$'000	2017 HK$'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.

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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'000
At 1 October	—	—
Impairment loss	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.

14. 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.

15. PROVISION

	Onerous contract	
	2018	2017
	HK$'000	HK$'000
At 1 October	1,208	—
Provision for the year (note 7)	—	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, the PRC, to its current production facility in Guangming New District, the PRC. The lease contract for the old factory premises expired on 31 March 2018.

16. 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.

17. 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 16(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 16(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.

18. 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.

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, are vested for a period of three years immediately after the date of the grant by one-third each anniversary and are fully vested on 3 April 2020. Options granted are exercisable after one year but not exceeding ten years from the date of the grant.

The fair value of the options has been calculated by an external valuer using the Binomial Model.

The assumptions used are as follows:

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

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

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.

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

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).

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.

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, 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 under review, 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.

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

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

EMPLOYEES

At 30 September 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).

SHARE OPTION SCHEME

The Company adopted the Scheme with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group. On 3 April 2017, 7,000,000 share options to subscribe for 7,000,000 ordinary shares of HK$0.001 each in the Company were granted. Details of the options exercised and cancelled in the twelve months ended 30 September 2018 and up to the date of this announcement, are set out in note 18 to the financial information contained in this announcement. As at the date of this announcement, the outstanding number of share options available for issue under the Scheme was 30,000,000, representing 10.0% 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and there were no events of non-compliance throughout the year ended 30 September 2018 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with the CG Code throughout the year ended 30 September 2018 and up to the date of this announcement except that the Group did not have an internal audit function as per code provision C.2.5 of the CG code.

PURCHASE, SALES 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.

AUDIT COMMITTEE

Up until 11 October 2018, the Audit Committee comprised three independent non-executive Directors, namely Mr. Pochin Christopher Lu (Chairman), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia. On that date, all the above members resigned as independent non-executive Directors of the Company and as members of the Audit Committee and were replaced by three new independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman), Mr. Duan Xiongfei and Mr Zhou Guohua. At the date of this announcement, the Audit Committee comprised the aforementioned three independent non-executive Directors.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information.

The Audit Committee has reviewed the accounting policies adopted by the Group and the annual results announcement and the audited consolidated financial statements of the Group for the year ended 30 September 2018.

SCOPE OF WORK PERFORMED BY THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of other comprehensive income and the related notes thereto for the year ended 30 September 2018 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 September 2018. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 March 2019 to 27 March 2019, both days inclusive, in order to determine the identity of the shareholders of the Company who are entitled to attend the Annual General Meeting ("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 Secretaries Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21 March 2019.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Directors confirm that the Company has maintained at all times during the year ended 30 September 2018 sufficient public float requirement as prescribed by the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2018 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange of Hong Kong at www.hkexnews.hk and on the website of the Company at www.pantronicshk.com. The Company's 2018 Annual Report containing all of the information as required by the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange of Hong Kong and on the website of the Company in due course.

By order of the Board
PANTRONICS HOLDINGS LIMITED
Lee Chris Curl
Executive Director

Hong Kong, 17 December 2018

As at the date of this announcement, the Board comprises Mr. Lee Chris Curl and Mr. Huo Li as the executive Directors; and Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Zhou Guohua as independent non-executive Directors.