PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1611

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

Financial Highlights

	Six months ended 31 March		
	2017	**2016**	**% Change**
	HK$'000	*HK$'000*	
	(Unaudited)	*(Unaudited)*	
Revenue	137,672	126,986	8.4%
Gross profit	30,218	26,614	13.5%
Gross profit margin	21.9%	21.0%	4.2%
Profit before income tax (excluding listing expenses and relocation costs)	13,094	14,598	(10.3%)
Profit before income tax	5,173	9,508	(45.6%)
Profit attributable to owners of the Company	2,163	6,174	(65.0%)
Basic and diluted earnings per share	HK cents 0.77	HK cents 2.61	(70.5%)
Interim dividend	HK cents 5.0	—	100%

The Board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 March 2017 (the "period") together with the comparative figures for the six months ended 31 March 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**Six months ended 31 March** **2017** *HK$'000* *(Unaudited)*	**2016** *HK$'000* *(Unaudited)*
Revenue	4	137,672	126,986
Cost of sales		(107,454)	(100,372)
Gross profit		30,218	26,614
Other income	5	1,496	1,161
Interest income	6	23	53
Selling and distribution expenses		(3,716)	(3,472)
Administrative expenses		(16,333)	(9,089)
Finance costs	7	(642)	(669)
Listing expenses		(5,873)	(5,090)
Profit before income tax	8	5,173	9,508
Income tax expense	9	(3,010)	(3,334)
Profit for the period		2,163	6,174
Profit for the period attributable to owners of the Company		2,163	6,174

		Six months ended 31 March **2017** *HK cents* *(Unaudited)*	**2016** *HK cents* *(Unaudited)*
Earnings per share			
Basic and diluted	11	0.77	2.61

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	2,163	6,174
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	(1,910)	(1,546)
Other comprehensive income for the period, net of tax	(1,910)	(1,546)
Total comprehensive income for the period attributable to owners of the Company	253	4,628

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2017** *HK$'000* *(Unaudited)*	**30 September 2016** *HK$'000* *(Audited)*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		15,617	16,502
Prepaid land lease payments under operating leases		338	355
		15,955	16,857
Current assets			
Inventories		28,639	21,488
Trade and other receivables	12	58,015	62,869
Amounts due from fellow subsidiaries		955	247
Amount due from immediate holding company		13	—
Cash and bank balances		110,898	74,456
		198,520	159,060
Current liabilities			
Trade and other payables	13	52,269	59,582
Bank borrowings		34,698	39,682
Dividend payable		—	30,000
Amount due to immediate holding company		—	1
Tax payable		9,072	14,379
		96,039	143,644
Net current assets		102,481	15,416
Total assets less current liabilities		118,436	32,273
Non-current liabilities			
Deferred tax liabilities		1,408	1,300
Net assets		117,028	30,973
EQUITY			
Share capital	14	300	—
Reserves		116,728	30,973
Total equity attributable to owners of the Company		117,028	30,973

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.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

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

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 30 September 2016, except for the adoption of new and revised HKFRSs (which include individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed below.

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

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2016.

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

(b) Adoption of amended HKFRSs – effective from 1 October 2016

Amendments to HKFRSs effective for the financial year ending 30 September 2017 do not have a material impact on the Group.

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

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the financial year ending 30 September 2017, and have not been applied in preparing the Interim Financial Statements. The Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these pronouncements is unlikely to have a significant impact on the Group's results and financial position upon application.

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 assesses the performance of this single segment based on a measure of revenue and operating result before income tax.

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

Geographical information

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

	Six months ended 31March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
The People's Republic of China (the "PRC")		
– Mainland China	11,013	10,689
– Hong Kong (place of domicile)	814	1,480
USA	72,048	67,164
UK	17,942	14,449
Rest of Europe	13,419	13,652
Japan	14,631	11,220
Others	7,805	8,332
	137,672	126,986

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 period, is set out below:

	Six months ended 31March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Customer A	49,333	38,403
Customer B	22,459	22,612
Customer C	13,771	N/A
Customer D	N/A	13,763
Customer E	N/A	13,422

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

	31 March 2017	**30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Hong Kong	1,574	1,191
Mainland China	14,376	15,660
Others	5	6
	15,955	16,857

4. REVENUE

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

5. OTHER INCOME

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Sundry income	1,496	1,161

6. INTEREST INCOME

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest earned on bank deposits and balances	23	53

7. FINANCE COSTS

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	642	669

8. PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments under operating leases	17	17
Auditors' remuneration		
– Audit services	389	209
– Other services	386	—
Cost of inventories recognised as expenses	107,454	100,372
Depreciation of property, plant and equipment	1,023	1,099
Exchange gains, net	(1,181)	(247)
Impairment loss/(reversal of impairment loss) on inventories	52	(572)
Minimum lease payments in respect of rented premises	3,961	2,025
Reversal of impairment loss on trade receivables	—	(762)
Employee benefit expenses (including Directors' remuneration)	33,710	30,192

9. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current income tax – Hong Kong:		
Provision for the period	1,240	1,337
Current income tax – Overseas:		
Provision for the period:		
Mainland China	1,656	1,797
USA	6	—
	1,662	1,797
Deferred tax	108	200
Income tax expense	3,010	3,334

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

A subsidiary of the Group received enquiries 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 and February 2016. The Group has subsequently objected to the assessment made. In addition, in July 2016, the same subsidiary received an additional enquiry for information from the IRD. The Directors believe that the tax audit/enquiry is at its early stages and it is not practical, at this stage, to estimate the potential financial impact that this may have on the Group, if any.

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

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

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 transaction gave rise to withholding tax based on 5% of the earnings remitted. The Company 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$1,408,000 (30 September 2016 - HK$1,300,000) has been established in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

10. DIVIDENDS

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

On 14 December 2015, the Company declared an interim dividend in relation to the year ended 30 September 2016 of HK$50,000,000 (HK$250,000 per ordinary share), of which HK$20,000,000 was paid on 16 December 2015, the remaining HK$30,000,000 declared to be paid was later rescinded by the Board of Directors on 29 January 2016.

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

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 six months ended 31 March 2017. This dividend will be distributed on 23 June 2017 to shareholders whose names are recorded in the Register of Members of the Company on 8 June 2017. This dividend has not been recorded as a liability as at 31 March 2017.

11. EARNINGS PER SHARE

Basic earnings per share

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

	Six months ended 31 March	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company	2,163	6,174
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	282,346,154	237,000,000
	HK cents	*HK cents*
	(Unaudited)	*(Unaudited)*
Basic earnings per share	0.77	2.61

Note:

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

The weighted average of 237,000,000 ordinary shares used in the calculation of basic earnings per share for the six months ended 31 March 2016 comprises: (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 at 1 October 2015, the beginning of the earliest period reported.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 31 March 2017 and 2016, and hence the diluted earnings per share is the same as basic earnings per share.

12. TRADE AND OTHER RECEIVABLES

	31 March 2017 *HK$'000* *(Unaudited)*	**30 September 2016** *HK$'000* *(Audited)*
Trade receivables	49,573	52,882
Less: Impairment provisions	—	—
Trade receivables – net	49,573	52,882
Prepayments and other receivables	8,442	9,987
	58,015	62,869

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 31 March 2017, trade receivables of HK$54,469,000 (30 September 2016 - HK$56,034,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 31 March 2017, the asset-backed lending liabilities amounted to HK$28,495,000 (30 September 2016 - HK$32,889,000).

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

	31 March 2017 *HK$'000* *(Unaudited)*	**30 September 2016** *HK$'000* *(Audited)*
0 – 60 days	38,310	37,749
61 – 90 days	7,894	9,011
91 – 120 days	3,274	5,293
More than 120 days	95	829
	49,573	52,882

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

The Group allows credit periods ranging from 30 to 120 days (30 September 2016 - 30 to 120 days) to its trade customers depending on their credit status and geographical location during the period. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

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

	31 March 2017 *HK$'000* *(Unaudited)*	**31 March 2016** *HK$'000* *(Unaudited)*
At 1 October 2016/2015	—	817
Impairment losses reversed	—	(762)
Uncollectible amounts written off	—	(55)
At 31 March 2017/2016	—	—

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

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

	31 March 2017	**30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Neither past due nor impaired	44,779	51,779
0 - 60 days past due	4,789	1,085
61 - 90 days past due	5	16
91 - 120 days past due	—	2
	4,794	1,103
	49,573	52,882

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

13. TRADE AND OTHER PAYABLES

	31 March 2017	**30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade payables	32,290	31,470
Other payables and accruals	19,979	28,112
	52,269	59,582

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

	31 March 2017	**30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 - 60 days	23,705	22,899
61- 90 days	4,426	5,438
More than 90 days	4,159	3,133
	32,290	31,470

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

Included in other payables as at 30 September 2016 are receipts in advance of HK$1,214,000 from the immediate holding company, NWC, in relation to its share of listing expenses incurred.

14. SHARE CAPITAL

	Number of ordinary shares of US$1 each	Amount US$	Number of ordinary shares of HK$0.001 each	Amount HK$	Amount HK$
Authorised:					
At 1 October 2015 (Audited)	50,000	50,000	—	—	
Increase in authorised share capital (note (i))	—	—	50,000,000	50,000	
Reduction of authorised share capital (note (iii))	(50,000)	(50,000)	—	—	
Increase in authorised share capital (note (iv))	—	—	450,000,000	450,000	
At 31 March 2016, 30 September 2016 and 31 March 2017	—	—	500,000,000	500,000	
Issued and fully paid:					
At 1 October 2015 (Audited)	200	200	—	—	1,560
Repurchase of shares (note (ii))	(200)	(200)	—	—	(1,560)
Issue of shares on 15 January 2016 (note (ii))	—	—	200,000	200	200
At 31 March 2016 and 30 September 2016	—	—	200,000	200	200
Issue of shares on 17 November 2016 (note (v))	—	—	236,800,000	236,800	236,800
Issue of shares on 21 November 2016 (note (vi))	—	—	63,000,000	63,000	63,000
At 31 March 2017 (Unaudited)	—	—	300,000,000	300,000	300,000

Notes:

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

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

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

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

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

(vi) On 21 November 2016, pursuant to the shareholder's resolution dated 17 November 2016, 63,000,000 ordinary shares ("New Shares") at par value of HK$0.001 each, were issued and allotted by way of 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 public offer (27,000,000 New Shares) and placing (63,000,000 shares comprising 36,000,000 New Shares and 27,000,000 Sale Shares) on the Main Board of the Stock Exchange of Hong Kong. Dealings in the Company's shares on the Main Board of the Stock Exchange of Hong Kong commenced on 21 November 2016.

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

15. SHARE PREMIUM

	HK$'000
At 1 October 2015, 30 September 2016 and 1 October 2016 (Audited)	—
Arising from public offer and placing (note (i))	94,437
Transaction costs attributable to the public offer and placing (Note ii))	(8,935)
At 31 March 2017 (Unaudited)	85,502

Notes:

(i) As detailed in note 14(vi) above, on 21 November 2016, the Company listed 63,000,000 ordinary shares at par value of HK$0.001 each at a price of HK$1.50 per share on the Main Board of the Stock Exchange of Hong Kong. Of the gross proceeds of HK$94,500,000, HK$63,000 was credited to the Company's share capital and the remaining HK$94,437,000 was credited to the share premium account.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

On 21 November 2016 (the "Listing Date"), the Company successfully listed on the Main Board of the Hong Kong Stock Exchange, a significant milestone in the Company's history and strategic development. The net proceeds received from the Share Offer will raise our corporate profile, strengthen our capital base and enable us to implement our business strategies. Because of the relatively short period between the Listing Date and the date of this announcement, the Group is still in the preliminary stages of implementing its business strategies and initiatives as set out in the prospectus of the Company dated 9 November 2016 (the "Prospectus"). However, we are pleased to report that the relocation of our manufacturing facilities, currently carried out at our Songgang factory, to a self-contained leasehold manufacturing facility in the Shenzhen area, is progressing well: on 31 December 2016, we signed a lease for the new premises in Guangming New District, Shenzhen City, which are currently undergoing certain modifications and improvements prior to the relocation of our business operations.

Despite the continued economic slow-down in the US and Europe, the Group has experienced an 8.4% increase in revenue, with increased sales to its largest customer and the launch of new products to complement and increase its product base. The increase in gross profit of 13.5% is attributable to the increased sales as well as relatively stable labour rates and improvements in operational efficiencies.

The Group has faced many challenges in the period including temporary labour shortages around the Chinese New Year period and continued pressures from certain customers to reduce sales prices. However, it has continued to be highly successful in managing its business operations during the period.

Excluding the impact of one-time listing expenses of HK$5.9 million and HK$5.1 million incurred in the six months to 31 March 2017 and 2016, respectively, and relocation costs of HK$0.6 million and duplicate rental costs of HK$1.4 million incurred in the six months to 31 March 2017, the adjusted profit before income tax in the current period of HK$13.1 million compares to HK$14.6 million in the prior period. Given the current period result now includes approximately HK$5.5 million incremental costs associated with a listed company, this is a positive result for the Company, showing incremental growth in the underlying business operations.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by HK$10.7 million or 8.4% from HK$127.0 million in the six months to 31 March 2016 to HK$137.7 million in the six months to 31 March 2017. Despite the continued economic slowdown in Europe and the US, we witnessed increased sales primarily due to increased demand for solenoid coils from our largest customer.

Cost of sales

Cost of sales, primarily comprising direct materials, direct labour and manufacturing overheads, amounted to HK$107.5 million and HK$100.4 million for the six months to 31 March 2017 and 31 March 2016, respectively, representing 78.1% and 79.0% of revenue for the six months to 31 March 2017 and 31 March 2016, respectively. While the cost of sales has moved in line with revenue, favourable raw material costs, relatively stable labour rates and continued cost efficiencies have ensured that the cost of sales as a percentage of revenue has decreased.

Gross profit and gross profit margin

The Group's gross profit was HK$30.2 million and HK$26.6 million, representing a gross profit margin of 21.9% and 21.0% for the six months to 31 March 2017 and 31 March 2016, respectively.

The higher gross margin percentage reflects the increased sales and a combination of favourable raw material costs, predominantly copper costs, coupled with unchanged minimum labour rates when compared to the prior year. Offsetting this is the adverse impact of duplicate rental costs of HK$1.4 million due to the leasing of both our existing manufacturing plant and the newly-leased premises.

Other income

Other income, which includes certification and inspection fees, sample sales and rework costs recharged to customers, increased by approximately HK$0.3 million in the six months to 31 March 2017. This is in line with the increased sales activity that the Group has witnessed during the period.

Selling and distribution expenses

Selling and distribution expenses increased by HK$0.2 million or 7.0% from HK$3.5 million in the six months to 31 March 2016 to HK$3.7 million in the six months to 31 March 2017. The increase was primarily due to increased sales levels.

Administrative expenses

Administrative expenses increased by HK$7.2 million or 79.7% from HK$9.1 million in the six months to 31 March 2016 to HK$16.3 million in the six months to 31 March 2017. This increase includes approximately HK$5.5 million of additional head office costs associated with the listed status of the Group, including but not limited to, directors' remuneration, salary costs and legal and professional costs in addition to increased head office rentals. Additionally, included within the costs for the six months to 31 March 2017 is HK$0.6 million of costs associated with the relocation of the Company's manufacturing base.

Finance costs

Finance costs have remained stable at HK$0.6 million for the six months to 31 March 2017 compared to HK$0.7 million for the six months to 31 March 2016, respectively, due to relatively stable borrowings drawdowns.

Listing expenses

The Group has incurred listing expenses of approximately HK$32.0 million of which: HK$17.2 million was expensed to profit and loss in the year ended 30 September 2016; HK$5.9 million has been expensed to profit and loss in the six months to 31 March 2017 (2016 – HK$5.1 million); and HK$8.9 million has been debited to the share premium reserve in the six months to 31 March 2017.

Profit before income tax

The Group's profit before income tax has decreased by approximately HK$4.3 million or 45.6% from HK$9.5 million in the six months to 31 March 2016 to HK$5.2 million in the six months to 31 March 2017. Excluding the impact of one-time listing expenses of HK$5.9 million and HK$5.1 million incurred in the six months to 31 March 2017 and 2016, respectively, and relocation costs of HK$0.6 million and duplicate rentals of HK$1.4 million incurred in the six months to 31 March 2017, the adjusted profit before income tax in the current period of HK$13.1 million compares to HK$14.6 million in the prior year. The result for the six months to 31 March 2017 includes approximately HK$5.5 million of incremental costs associated with a listed company.

Income tax expense

Our income tax expense decreased by approximately HK$0.3 million or 9.7% from HK$3.3 million in the six months to 31 March 2016 to HK$3.0 million in the six months to 31 March 2017. The effective tax rate in the six months to 31 March 2016 and 31 March 2017 was 35.1% and 58.2%, respectively. Excluding the impact of non-deductible listing expenses, the effective tax rate would have been 22.8% and 27.2% in 2016 and 2017, respectively. The higher effective tax rate in the six months to 31 March 2017 reflects the lack of taxable income in the Company to offset deductible expenses.

Profit for the period

Our net profit decreased by approximately HK$4.0 million or 65.0% from HK$6.2 million in the six months to 31 March 2016 to HK$2.2 million in the six months to 31 March 2017. The lower profits reflect the relocation costs incurred in the current period as well as approximately HK$5.5 million additional administrative costs associated with the Group's newly listed status. This deterioration in the Group's financial performance in the six months to 31 March 2017 due to the impact of the relocation and the listing was cautioned in the Prospectus. Excluding the one-time costs and additional administrative overheads, the Directors are satisfied with the underlying profits and increased revenues when compared to the same period last year.

Dividend

On 11 May 2017, the Directors approved the payment of an interim dividend of HK$15,000,000 (5 HK cents per ordinary share) in relation to the six-month period ended 31 March 2017. This dividend will be distributed on 23 June 2017 to shareholders whose names are recorded in the Register of Members of the Company on 8 June 2017. This dividend has not been recorded as a liability as at 31 March 2017.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations and bank borrowings. The cash flows for the six months to 31 March 2017 have, however, been significantly affected by the Company's listing on the Main Board of the Hong Kong Stock Exchange on 21 November 2016. The Group's net cash as at 31 March 2017, together with the position as at 30 September 2016 is summarised below:

	31 March 2017	**30 September 2016**
	HK$'000	*HK$'000*
Cash and cash equivalents	110,898	74,456
Less: interest-bearing bank borrowings	(34,698)	(39,682)
Net cash	76,200	34,774

The working capital position of the Group remains healthy. Going forward, while our liquidity position will be strengthened by using cash generated from operating activities, we expect to use our resources for our operations and the expansion plans as stated in the Prospectus.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was HK$11.6 million (2016 – HK$12.5 million generated from operating activities). Contributing to the decreased cash flows is the lower profit before income tax, increased inventories, decreases in trade and other payables and increased taxation paid in the six months to 31 March 2017.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$0.6 million in the six months to 31 March 2017 compared to HK$0.4 million in comparative period. The current period outflow includes HK$0.6 million of capital expenditure (2016 – HK$0.4 million).

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities was HK$50.2 million in the six months to 31 March 2017 compared to HK$43.1 million used in financing activities in the six months to 31 March 2016. The current period cash flow includes HK$94.5 million gross proceeds from the shares issued pursuant to the Public Offer, offset by HK$8.9 million of transaction costs debited to equity, dividend payments of HK$30.0 million and a HK$5.0 million decrease in bank borrowings. The prior period outflow included dividend payments of HK$28.5 million and decreases in bank borrowings of HK$14.0 million.

CAPITAL EXPENDITURE

Capital expenditure in the period, financed by internal resources and credit facilities, amounted to HK$0.6 million (2016 – HK$0.4 million).

CHARGE ON GROUP ASSETS

At 31 March 2017, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK$108.1 million (30 September 2016 – HK$108.6 million), comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial. At 31 March 2017, the amount drawn down under the confidential invoice facility was HK$28.5 million (30 September 2016 – HK$32.9 million) and the import loan facility was HK$6.2 million (30 September 2016 – HK$6.8 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities (30 September 2016 – HK$nil).

COMMITMENTS

As at 31 March 2017 the Group had approximately HK$39.9 million (30 September 2016 – HK$nil) of capital commitments in relation to the purchase of new machines and equipment for the installation of new production lines and leasehold improvements on the new manufacturing facility in Shenzhen.

Our contract commitments at 31 March 2017 include minimum lease payments under non-cancellable operating leases in respect of rented premises of approximately HK$65.3 million (30 September 2016 – HK$6.2 million). The increase relates to the lease entered into on 31 December 2016 in relation to the new production facilities at Guangming New District, Shenzhen City.

EMPLOYEES

At 31 March 2017, the Group had 868 employees (30 September 2016 - 776 employees) working in Hong Kong, the PRC and the USA. The increase in the period reflects the increase in sales revenues. 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 six months to 31 March 2017 amounted to approximately HK$33.7 million (2016 – HK$30.2 million).

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Company, based on an offer price of HK$1.5 per share and after deducting underwriting fees and related expenses, amounted to approximately HK$62.5 million. In line with disclosures in the Prospectus, the Company intends to use the proceeds as follows:

		Estimated Use of Proceeds		
	Actual net proceeds as per Prospectus allocation	**Contracted**	**Estimated costs to completion**	**Total**
	HK$million	*HK$million*	*HK$million*	*HK$million*
Streamlining and modernising production processes	29.4	1.8	27.6	29.4
Leasehold improvements to the new manufacturing facility	15.4	8.2	2.3	10.5
	44.8	10.0	29.9	39.9
Additional inventory build	10.3	—	9.9	9.9
Relocation costs	6.9	—	7.8	7.8
General working capital	0.5	—	4.9	4.9
	62.5	10.0	52.5	62.5

Because of the relatively short period between the Listing Date and the preparation of this announcement, the Group is still in the preliminary stages of implementing its business strategies and initiatives as set out in the Prospectus. The Group, however, is fully committed to its business development plan and will strive to meet in full its undertakings and commitments as set out in the Prospectus.

As at the date of this announcement, the Directors do not anticipate any significant changes to the plan of the use of proceeds as disclosed above. The unused net proceeds have been deposited with banks in Hong Kong.

OUTLOOK

Our principal business objective is to achieve sustainable growth in our current business and to strengthen our capability to secure more business opportunities.

To this end, we are looking to streamline and modernise our production processes and improve our production efficiency and enable us to take advantage of the predicted growth in the solenoid coil market. This involves the relocation of our manufacturing facilities, currently carried out at our Songgang Factory, to a self-contained leasehold manufacturing facility in the Shenzhen area. As well as relocating to a new site, we plan to invest in new plant and equipment. We believe that, by streamlining and modernising our production processes, we will be able to increase production capacity, thereby enjoying economies of scale and production efficiencies, which will enable us to compete more successfully and improve our financial performance.

The manufacture of solenoid coils, battery charger solution and power supply and LED lighting, our major product groups, are characterised by rapid technological advancements. In order to keep up to date with the evolving advancements and market and customer demands, we are planning to strengthen our product development capabilities by continuing to invest in highly-competent and well-trained employees as well as using our existing facilities, such as plastic-injection moulding, to expand our core competencies.

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

A major part of our strategic plan is to expand and grow our market share in our solenoid coil business. According to industry market research, the total production of solenoid coils in China is expected to grow significantly in the next few years. Our market share in China is relatively small. As discussed in the Prospectus, we have entered into a non-legally binding memorandum of understanding with our largest customer, to establish a joint venture company to engage in the production of solenoid coils in the PRC and subsequently supply to our largest customer and other potential customers. Our Company will own the majority interests in the joint venture and will exercise control over the operation. We are currently negotiating the terms and conditions of the agreement. The Directors believe that the joint venture will enable us to increase our market share, benefit in the expected growth in China and develop highly price-competitive products.

Fiscal 2017 is a busy time for our Group as we implement our various business objectives as well as managing our underlying current business.

Our results for the six months to 31 March 2017 reflect the adverse impact of listing costs in addition to relocation costs and incremental costs associated with a listed company. Our result for the remainder of fiscal 2017 will continue to be adversely affected by the initial costs associated with our business initiatives. However, the Group’s strategy is to achieve sustainable growth going forward and in the medium to long term, enhance shareholder’s value.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group. On 3 April 2017, 7,000,000 share options to subscribe for 7,000,000 ordinary shares of HK$0.001 each in the Company were granted. During the six months ended 31 March 2017 and up to the date of this announcement, no options have been exercised, cancelled or lapsed. As at the date of this announcement, the outstanding number of share options available for issue under the Scheme was 23,000,000, representing 7.6% of the number of the issued shares of the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to 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 had complied with the required standards set out in the Model Code and there were no events of non-compliance throughout the period under review.

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

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

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2017 have been reviewed by the Audit Committee.

The Interim Financial Statements of the Group for the six months ended 31 March 2017 have been reviewed by the external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

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 six months ended 31 March 2017. The dividend will be distributed on 23 June 2017 to shareholders whose names are recorded on the Register of Members of the Company on 8 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 June 2017 to 8 June 2017 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share register in Hong Kong, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m on 5 June 2017.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 31 March 2017 will be published on the Company's websites (www.pantronicshk.com and www.irasia.com/listco/hk/pantronics) and on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

By order of the Board
PANTRONICS HOLDINGS LIMITED
Hsu Simon Nai-cheng
Chairman

Hong Kong, 11 May 2017

As at the date of this announcement, the Board comprises (1) Mr. Henry Woon-hoe Lim and Mr. Ho Hon Ching as the executive Directors: (2) Mr. Hsu Simon Nai-cheng as the non-executive Director; and (3) Mr. Pochin Christopher Lu, Mr. Danny J Lay and Ms. Hui Leung Ching, Patricia as the independent non-executive Directors.