PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 1611

INTERIM REPORT 2019

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lee Chris Curl *(Chief Financial Officer)*
Mr. Lan Jianzhong
(appointed with effect from 22 February 2019)
Mr. Huo Li *(resigned with effect from 22 February 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Duan Xiongfei
Mr. Yip Wai Ming
Mr. Ngai Matthew Cheuk Yin
(appointed with effect from 22 February 2019)
Mr. Zhou Guohua
(resigned with effect from 22 February 2019)

AUDIT COMMITTEE

Mr. Yip Wai Ming *(Chairman)*
Mr. Duan Xiongfei
Mr. Ngai Matthew Cheuk Yin
(appointed with effect from 22 February 2019)
Mr. Zhou Guohua
(resigned with effect from 22 February 2019)

REMUNERATION COMMITTEE

Mr. Ngai Matthew Cheuk Yin *(Chairman)*
(appointed with effect from 22 February 2019)
Mr. Lan Jianzhong
(appointed with effect from 22 February 2019)
Mr. Yip Wai Ming
Mr. Huo Li
(resigned with effect from 22 February 2019)
Mr. Zhou Guohua *(Former Chairman)*
(resigned with effect from 22 February 2019)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Duan Xiongfei *(Chairman)*
Mr. Yip Wai Ming
Mr. Lee Chris Curl

REGISTERED OFFICE

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Road Town, Tortola
BVI VG 1110

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PRINCIPAL BANKER

DBS Bank Ltd., Hong Kong Branch

BVI PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
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Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Patrick Mak & Tse
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111 Connaught Road Central
Hong Kong

AUDITOR

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

JOINT COMPANY SECRETARIES

Mr. Lee Chris Curl
Mr. Ng Gilbert Man Him

Executive Director's Statement

On behalf of the Board of Directors (the "Board") of Pantronics Holdings Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2019 (the "Period").

It continues to be a transformation period for our Group as Huobi Global Limited, together with Trinity Gate Limited, have successfully acquired equity interests in the Company in August 2018. Following the completion of the acquisition, the Group continued to explore potential business opportunities and seek sustainable development.

Our revenue has increased by 3.5% in the Period under review, mainly due to the increase in revenue from our single largest customer in the United States by 20.1%, which is partly offset by the decrease in revenue from second and third largest customers. Our relocation of manufacturing facilities to Guangming New District, Shenzhen, the PRC, has stream-lined and improved our production and development capabilities, which contributed to the decrease in costs of sales. Other factors affecting the decrease in costs of sales include favourable raw material costs, predominantly copper costs, which was escalated in the previous years.

Our gross profit for the Period has recorded an increase of approximately 38.7% compared to the previous corresponding financial period. However, our profit after tax has recorded a net loss, compared to a net profit for the six months ended 31 March 2018, which was mainly attributed by the one-time tax expense related to restructuring.

As I mentioned in our 2018 Annual Report, our new management team will actively look into opportunities of business diversification so as to mitigate the risks and to achieve long term sustainability of the Group. The management team will continue to look for various business opportunities, implementing efficient and professional corporate governance with the support from its high caliber team, and accelerating business development.

On behalf of the Board, I would like to convey my sincere gratitude to all the shareholders, business partners and customers for their support. I would also like to express my heartfelt thanks to the Directors, management and employees for their diligence.

Lee Chris Curl
Executive Director
Hong Kong, 24 May 2019

Management Discussion and Analysis

BUSINESS OVERVIEW

Attributable to the favourable market condition, the Group experienced a 3.5% increase in revenue, with a 20.1% increase in sales to its largest customer. It is a positive result for the Group showing incremental growth in its underlying customer base and geographical markets.

The increase in revenue has not been matched with a corresponding increase in cost of sales due to a favourable raw material costs, predominantly copper cost for the six months ended 31 March 2019. At the same time, the gross profit for the Period has increased from HK$22.4 million in the prior period to HK$31.1 million in the Period.

Excluding the impact of a one-off tax expense of approximately HK$6.9 million from the one-time transfer of land use right and certain buildings before the injection into a newly established wholly-owned subsidiary in Mainland China, the adjusted net profit for the six months ended 31 March 2019 is HK$5.3 million, compared to the adjusted net profit of HK$4.9 million for the six months ended 31 March 2018, excluding the costs of the relocation including relocation costs, duplicate rental and factory maintenance-related cost of HK$3.9 million.

Under the US protectionism and trade wars, there are uncertainty and concerns in the global economic market. The Group has to look into various opportunities of business diversification for mitigating the risk and challenges to achieve long-term sustainability of the Group.

FINANCE REVIEW

Revenue

The revenue of the Group was HK$166.7 million for the six months ended 31 March 2019 (for the six months ended 31 March 2018: HK$161.0 million), representing an increase of approximately HK$5.7 million or 3.5% as compared for the six months ended 31 March 2018, which primarily due to an improvement in trading conditions across the geographical and customer base. Specifically, revenue from its largest customer has increased by 20.1%.

Cost of sales

Cost of sales, mainly comprising raw materials, direct labour and manufacturing overheads, amounted to HK$135.6 million and HK$138.6 million for the six months ended 31 March 2019 and 31 March 2018 respectively. Due to our relocation of manufacturing facilities to Guangming New District, Shenzhen, along with favourable raw material costs, predominantly copper costs, and continued cost efficiency, our cost of sales as a percentage of revenue has decreased to 81.3% for the six months ended 31 March 2019 from 86.1% for the six months ended 31 March 2018.

Gross profit and gross profit margin

The Group's gross profit was HK$31.1 million and HK$22.4 million, representing a gross profit margin of 18.7% and 13.9% for the six months ended 31 March 2019 and 31 March 2018 respectively.

The higher gross margin percentage reflects a combination of higher production and development capabilities due to our relocation of manufacturing facilities to Guangming New District, Shenzhen, increased sales and favourable raw material costs, predominantly copper costs when compared to the prior period.

Other income

Other income, which includes gain on disposal of property, plant and equipment, government grants, certification and inspection fees, sample sales and rework costs recharged to customers, has increased by approximately HK$0.5 million from HK$3.9 million for the six months ended 31 March 2018 to HK$4.4 million for the six months ended 31 March 2019, mainly due to the increase of HK$1.6 million in government grant received offset by the decrease in gain on disposal of property, plant and equipment of HK$1.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by HK$0.3 million or 8.4% from HK$3.8 million for the six months ended 31 March 2018 to HK$3.5 million for the six months ended 31 March 2019.

Administrative expenses

Administrative expenses increased by HK$0.9 million or 4.6% from HK$20.4 million for the six months ended 31 March 2018 to HK$21.3 million for the six months ended 31 March 2019.

This increase includes, among others, increased employee benefit expenses and adverse exchange differences resulting from the strengthening of Renminbi against the United States dollars ("US$").

Finance costs

Finance costs have increased by HK$2.0 million from HK$1.0 million for the six months ended 31 March 2018 to HK$3.0 million for the six months ended 31 March 2019, which was in line with the increased level of borrowings/loan in the Group.

Profit before income tax

The Group's profit before income tax for the six months ended 31 March 2019 has increased by HK$6.5 million from HK$1.3 million for the six months ended 31 March 2018 to HK$7.8 million for the six months ended 31 March 2019.

Excluding the costs of the relocation including relocation costs, duplicate rental and factory maintenance-related cost of 3.9 million, the adjusted profit before tax was HK$5.1 million for the six months ended 31 March 2018. Increase in profit before income tax is due to the result of increase in sales and gross profit margin.

Income tax expense

Income tax expense increased by approximately HK$9.2 million from HK$0.3 million for the six months ended 31 March 2018 to HK$9.5 million for the six months ended 31 March 2019. The increase is attributed by the impact of a one-off expense of approximately HK$6.9 million from the one-time transfer of land use right and certain buildings before the injection into a newly established wholly-owned subsidiary in Mainland China.

Excluding the impact of the one-off tax expense of approximately HK$6.9 million, the effective tax rate for the six months ended 31 March 2019 was 32.4%, compared with 21.1% for the six months ended 31 March 2018.

(Loss)/profit after income tax

The Group's profit after income tax for the six months ended 31 March 2019 decreased from approximately HK$1.0 million for the six months ended 31 March 2018 to a loss of HK$1.6 million for the six months ended 31 March 2019, representing an increase in loss of HK$2.6 million. Excluding the impact of a one-off tax expense of approximately HK$6.9 million from the one-time transfer of land use right and certain buildings before the injection into a newly established wholly-owned subsidiary in Mainland China, the Group experienced an adjusted profit after income tax of HK$5.3 million for the six months ended 31 March 2019, compared with an adjusted profit after income tax of HK$4.9 million for the six months ended 31 March 2018, excluding the costs of the relocation including relocation costs, duplicate rental and factory maintenance-related cost of HK$3.9 million.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2019 (for the six months ended 31 March 2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

We finance our operations primarily through cash generated from operations and bank borrowings. However, the cash flows as at 31 March 2019 and 30 September 2018 have been affected by the receipt of a HK$100.0 million loan from a non-controlling shareholder. The Group's net cash as at 31 March 2019, together with the position as at 30 September 2018 is summarised below:

	31 March 2019 HK$'000	30 September 2018 HK$'000
Cash and cash equivalents	**147,097**	205,995
Less: interest-bearing bank borrowings	**(13)**	(55,803)
other borrowings	**(88,725)**	(86,540)
Net cash	**58,359**	63,652
Debt to equity ratio	**N/A**	N/A

Cash and cash equivalents mainly denominated in HK$, US$ and Renminbi.

As at 31 March 2019, the effective interest rates on the Group's floating rate borrowing range from 4.4% to 5.6% (30 September 2018: 3.0% to 5.5%) per annum.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was HK$2.5 million for the six months ended 31 March 2019 (for the six months ended 31 March 2018: HK$13.2 million). Contributing to the cash outflow for the six months ended 31 March 2019 were increase in working capital of HK$10.6 million, compared to increase in working capital of HK$14.1 million for the six months ended 31 March 2018.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in investing activities was HK$1.0 million for the six months ended 31 March 2019 compared to HK$3.3 million in the comparative period. The current period outflow mainly attributes to HK$1.1 million of capital expenditure (for the six months ended 31 March 2018: HK$4.5 million of capital expenditure and HK$1.1 million proceeds from the disposal of property, plant and equipment).

CASH FLOW FROM FINANCING ACTIVITIES

Net cash used in financing activities was HK$56.7 million for the six months ended 31 March 2019 compared to HK$7.2 million used in financing activities for the six months ended 31 March 2018. The outflow for the six months ended 31 March 2019 includes repayment of term loan and export loan of HK$22.8 million, interest paid of HK$0.8 million and net repayment of invoice discounting facility of HK$33.0 million. The outflow for the six months ended 31 March 2018 included interest paid of HK$1.0 million and a HK$6.1 million decrease in bank borrowings.

CAPITAL EXPENDITURE

Capital expenditure in the Period, financed by internal resources and credit facilities, amounted to HK$1.1 million (for the six months ended 31 March 2018: HK$4.5 million).

TREASURY MANAGEMENT

During the six months ended 31 March 2019, 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 Renminbi. 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

On 31 March 2019, the banking facilities of the Company's wholly-owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$66.7 million (30 September 2018: HK$116.5 million), comprising overdraft, asset-backed lending facility and import loans. 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 asset-backed lending facility, an assignment over specific trade receivables. On 31 March 2019, the Company had repaid a significant amount of the banking facility. The carrying amount of bank borrowings as at 31 March 2019 is HK$13,000 (30 September 2018: HK$55.8 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

On 31 March 2019, the Group did not have any material contingent liabilities (30 September 2018: Nil).

COMMITMENTS

On 31 March 2019, the Group had no capital commitments (30 September 2018: Nil).

Our contract commitments on 31 March 2019 include minimum lease payments under non-cancellable operating leases in respect of rented premises of approximately HK$59.5 million (30 September 2018: HK$60.2 million).

FOREIGN CURRENCY RISK

The Group's principal operating subsidiaries carry out their operations in the PRC, including Hong Kong. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the sale and purchase of products. As a consequence, certain trade receivables and borrowings are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain foreign exchange contracts to minimise any currency exposure risks, when necessary.

EMPLOYEES

On 31 March 2019, the Group had 732 employees (30 September 2018: 811) working in Hong Kong, the PRC and the USA. The Group has 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 ended 31 March 2019 amounted to approximately HK$40.1 million (31 March 2018: HK$39.7 million).

OUTLOOK

Our Group's relocation of its production facilities to a self-contained leasehold manufacturing site in Guangming New District, Shenzhen, the PRC has been completed in the last financial year, and the advantages of the relocation and the implementation of new machineries has been unfolding progressively. Our production and development capacity have been enhanced, and our manufacturing efficiency has been increased. Such advantages are reflected by the decrease in costs of sales during this period. In the future, we anticipate further enhancement and increase of efficiency of our production line.

Nonetheless, manufacturing business is a very competitive industry. In view of the uncertain global economic and political environment, the trade war between Mainland China and the USA, and the anticipation of higher tariffs for sales to the USA, the Company is in no doubt facing significant challenges ahead.

In order to deal with the challenges ahead and to mitigate the risks, the Company has been exploring various business opportunities to expand the Group's business into other areas, including technology services, blockchain technology and financial technology services. The management believes that the Company could leverage Huobi Group's knowledge, resources and experience to develop or expand the Group's business, so as to strengthen the Company's position in this competitive environment.

Independent Auditor's Review Report

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TO THE BOARD OF DIRECTORS OF PANTRONICS HOLDINGS LIMITED
(incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 49, which comprise the condensed consolidated statement of financial position of Pantronics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2019 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate no. P03246
Hong Kong, 24 May 2019

Condensed Consolidated Statement of Profit or Loss

		Six months ended 31 March	
	Notes	**2019**	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Revenue	6	**166,687**	161,032
Cost of sales		**(135,595)**	(138,613)
Gross profit		**31,092**	22,419
Other income	7	**4,435**	3,917
Interest income	8	**100**	102
Selling and distribution expenses		**(3,487)**	(3,807)
Administrative expenses		**(21,285)**	(20,358)
Finance costs	9	**(3,045)**	(1,023)
Profit before income tax	10	**7,810**	1,250
Income tax expense	11	**(9,451)**	(264)
(Loss)/profit for the period		**(1,641)**	986
(Loss)/profit for the period attributable to owners of the Company		**(1,641)**	986

		Six months ended 31 March	
		2019	2018
		HK cents	HK cents
		(Unaudited)	(Unaudited)
(Loss)/earnings per share	13		
– Basic		**(0.54)**	0.33
– Diluted		**N/A**	0.33

Condensed Consolidated Statement of Other Comprehensive Income

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(1,641)**	986
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	**1,132**	3,852
Other comprehensive income for the period, net of tax	**1,132**	3,852
Total comprehensive income for the period attributable to owners of the Company	**(509)**	4,838

Condensed Consolidated Statement of Financial Position

	Notes	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**38,664**	39,621
Prepaid land lease payments under operating leases		**268**	287
		38,932	39,908
Current assets			
Inventories		**35,293**	39,280
Trade and other receivables	15	**70,967**	65,949
Cash and bank balances		**147,097**	205,995
		253,357	311,224
Current liabilities			
Trade and other payables	16	**44,792**	60,101
Contract liabilities		**4,714**	–
Bank and other borrowings	17	**13**	55,803
Tax payable		**15,596**	9,635
		65,115	125,539
Net current assets		**188,242**	185,685
Total assets less current liabilities		**227,174**	225,593
Non-current liabilities			
Bank and other borrowings	17	**88,725**	86,540
Deferred tax liabilities	18	**4,071**	4,166
		92,796	90,706
Net assets		**134,378**	134,887
EQUITY			
Share capital	19	**305**	305
Reserves		**134,073**	134,582
Total equity attributable to owners of the Company		**134,378**	134,887

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2019

	Unaudited							
	Share capital HK$'000 (note 19)	Share premium HK$'000 (note 20)	Share option reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2018	305	96,237	295	9,113	6,375	(9,860)	32,422	134,887
Cancellation of share options (note 21)	–	–	(295)	–	–	–	295	–
Transactions with owners	–	–	(295)	–	–	–	295	–
Loss for the period	–	–	–	–	–	–	(1,641)	(1,641)
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	1,132	–	1,132
Total comprehensive income for the period	–	–	–	–	–	1,132	(1,641)	(509)
At 31 March 2019	305	96,237	–	9,113	6,375	(8,728)	31,076	134,378

For the six months ended 31 March 2018

	Unaudited							
	Share capital HK$'000 (note 19)	Share premium HK$'000 (note 20)	Share option reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2017	300	85,502	956	(2,495)	6,002	(7,477)	25,808	108,596
Equity-settled share based compensation expenses (note 21)	–	–	962	–	–	–	–	962
Transactions with owners	–	–	962	–	–	–	–	962
Profit for the period	–	–	–	–	–	–	986	986
Other comprehensive income								
Exchange differences arising on the translation of financial statements of foreign operations	–	–	–	–	–	3,852	–	3,852
Total comprehensive income for the period	–	–	–	–	–	3,852	986	4,838
Appropriation of statutory reserve	–	–	–	–	373	–	(373)	–
At 31 March 2018	300	85,502	1,918	(2,495)	6,375	(3,625)	26,421	114,396

Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 31 March	
		2019	2018
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit before income tax		**7,810**	1,250
Adjustments for:			
Amortisation of prepaid land lease payments under operating leases		**19**	17
Depreciation of property, plant and equipment		**2,134**	1,602
Interest expenses on bank borrowings		**860**	1,023
Imputed interest expense on other loan from a non-controlling shareholder		**2,185**	–
Interest income		**(100)**	(102)
(Reversal of impairment loss)/impairment loss on inventories		**(996)**	740
Equity-settled share-based payment expenses		**–**	962
Gain on disposal of property, plant and equipment		**(18)**	(1,097)
Operating profit before working capital changes		**11,894**	4,395
Decrease in inventories		**4,983**	377
Increase in trade and other receivables		**(957)**	(6,987)
Decrease in amounts due from fellow subsidiaries		**–**	659
Decrease in trade and other payables		**(13,397)**	(6,985)
Decrease in contract liabilities		**(1,259)**	–
Restructuring costs		**–**	(1,208)
Cash generated from/(used in) operations		**1,264**	(9,749)
Income tax paid		**(3,771)**	(3,485)
Net cash used in operating activities		**(2,507)**	(13,234)
Cash flows from investing activities			
Purchase of property, plant and equipment, net of prior year prepayments for the purchase of property, plant and equipment		**(1,117)**	(4,538)
Proceeds from disposal of property, plant and equipment		**18**	1,097
Interest received on bank deposits and balances		**100**	102
Decrease in amount due from the immediate holding company		**–**	13
Net cash used in investing activities		**(999)**	(3,326)

	Note	Six months ended 31 March 2019 HK$'000 (Unaudited)	 2018 HK$'000 (Unaudited)
Cash flows from financing activities			
Net cash outflow in trust receipts and export loans		**(9,603)**	(1,861)
Proceeds from invoice discounting facility		**110,505**	145,825
Repayments of invoice discounting facility		**(143,505)**	(154,818)
Proceeds from term loan		**–**	4,709
Repayments of term loan		**(13,187)**	–
Interest paid on bank borrowings		**(860)**	(1,023)
Net cash used in financing activities		**(56,650)**	(7,168)
Net decrease in cash and cash equivalents	22	**(60,156)**	(23,728)
Effect of foreign exchange rate changes		**1,258**	1,662
Cash and cash equivalents at beginning of the period		**205,995**	90,231
Cash and cash equivalents at end of the period		**147,097**	68,165
Analysis of the balance of cash and cash equivalents			
Cash and bank balances		**147,097**	68,165

Notes to the Financial Statements

For the six months ended 31 March 2019

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 "Hong Kong Stock Exchange") 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. The Directors consider these activities constitute one business segment, and is the basis upon which the Group reports its segment information.

The immediate holding company of the Company is Huobi Global Limited, a company incorporated in the Cayman Islands with limited liability. The Directors of the Company consider the ultimate holding company to be Huobi Universal Inc., a company incorporated in the Cayman Islands with limited liability. The ultimate controlling party is Mr. Li Lin.

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 Hong Kong Stock Exchange (the "Listing Rules").

These Interim Financial Statements have been prepared with the same accounting policies adopted in the consolidated financial statements for the year ended 30 September 2018, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 October 2018. This is the first set of Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of the new standards/interpretation adopted for the first time in the current period and their effect on the Group's accounting policies are set out in note 2(b).

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 2018.

The Interim Financial Statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to nearest thousand ("HK$'000"), unless otherwise stated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018

In the current period, the Group has applied for the first time the following revised HKFRSs issued by the HKICPA, which are effective for the Group's financial statements for the annual financial period beginning on 1 October 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers are summarised below. The other new or amended HKFRSs that are effective from 1 October 2018 did not have any material impact on the Group's accounting policies.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for the Group's financial statements for annual financial periods beginning on 1 October 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 October 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – *continued*

(i) Classification and measurement of financial instruments – continued

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion). Under HKFRS 9, embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification. The following accounting policies would be applied to the Group's financial assets including cash and bank balances, trade receivables, deposits and other receivables:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 October 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 October 2018 under HKAS 39** HK$'000	**Carrying amount as at 1 October 2018 under HKFRS 9** HK$'000
Trade and other receivables*	Loans and receivables	Amortised cost	64,618	64,618
Cash and bank balances	Loans and receivables	Amortised cost	205,995	205,995

* Excluded from trade and other receivables as disclosed in the consolidated statement of financial position of HK$65,949,000 as at 1 October 2018, is an amount of HK$1,331,000 representing prepayments.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – *continued*

(ii) Impairment on financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables and other financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period. Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL rate of collectively assessed trade receivables that were neither past due nor impaired is 0.09%, past due between 0 to 60 days is 0.49% and past due more than 60 days is 13.04%. The Group has considered that the adoption of HKFRS 9 simplified approach has not resulted in any significant increase in impairment loss on trade receivables as at 1 October 2018.

No impairment for other financial assets at amortised cost as at 1 October 2018 is recognised as the Group has considered that there has not been a significant increase in credit risk of such financial assets since initial recognition as at 1 October 2018 and the ECL rates on other receivables are assessed to be minimal and accordingly, the amount of impairment measured under the ECLs model is immaterial.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 9 – Financial Instruments – *continued*

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 30 September 2018, but are recognised in the statement of financial position on 1 October 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained profits and reserves as at 1 October 2018. Accordingly, the information presented for prior year does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 October 2018). As a result, the financial information presented for the year ended 30 September 2018 has not been restated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 15 – Revenue from Contracts with Customers – *continued*

Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented.

Reclassification was made as at 1 October 2018 to be consistent with the terminology used under HKFRS 15: Contract liabilities recognised in relation to contract with customers were previously included in "trade and other receivables" and "trade and other payables" in the consolidated statement of financial position.

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

	Carrying amounts previously reported at 30 September 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 October 2018
	HK$'000	HK$'000	HK$'000
Current assets			
Trade and other receivables	65,949	4,061	70,010
Current liabilities			
Trade and other payables	(60,101)	1,912	(58,189)
Contract liabilities	–	(5,973)	(5,973)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(b) Adoption of new or amended HKFRSs – effective from 1 October 2018 – *continued*

HKFRS 15 – Revenue from Contracts with Customers – *continued*

The Group considers that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised on sales of power-related and electrical/electronic products in the respective reporting periods upon its initial adoption and the details are set out below:

(i) Sales of power-related and electrical/electronic products

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Revenue from sales of goods is recognised at a point in time. Invoices are usually payable within 30–100 days.

Some of the Group's contracts with customers from the sale of product provides standard warranty service for defective goods to assure that the product sold complies with the agreed-upon specifications within approximately 1 year following the date of delivery. The warranty gives rise to a separate performance obligation if a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Therefore, an entity shall allocate the transaction price to the product and the service. However, the Group has assessed the one year warranty it provides to customers on these products are customary in this industry and is there to ensure the product complies with agreed-upon specification only. Accordingly this warranty does not constitutes an additional performance obligation and no allocation of the transaction price for this service is necessary.

Accordingly, there is no material impact of transition to HKFRS 15 on retained profits and the related tax as at 1 October 2018. There is no material impact on the Group's Interim Financial Statements for the period ended 31 March 2019 except for the presentation of contract liabilities above.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

(c) 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 Interim Financial Statements.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Business Combinations[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 11	Joint Arrangements[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements[2]
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
Amendments to HKAS 12	Income Taxes[1]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 23	Borrowing Costs[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

***HKFRS 16 – Leases** – continued*

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 31 March 2019, the Group had non-cancellable operating lease commitments of approximately HK$59,543,000 as disclosed in note 26. 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.

Amendments to HKFRS 3 – Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 – Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 – Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Amendments to HKAS 23 – Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES – *continued*

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

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

3. ESTIMATES

The preparation of Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 September 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2.

4. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, fair value risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board of Directors (the "Board"). The Group does not have written risk management policies. However, the Board meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2018.

4. FINANCIAL RISK MANAGEMENT – *continued*

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk primarily relates to the Group's bank balances, trade receivables and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. In order to minimise the risk, the Board closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each reporting period and adequate allowance for doubtful debts has been made for irrecoverable amounts. In this regard, the Board considers that credit risk associated with the Group's trade receivables and other receivables is significantly reduced.

(i) Bank balances

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and reputable banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information.

The Directors consider that there are no significant credit risk on trade receivables due to the past payment history and taking into account of the sound financial performance and position of the debtors to meet contractual cash flow obligations in the near term. Accordingly, the ECL rate on trade receivables was assessed to be minimal and no provision was made for the period.

(iii) Other receivables

The Group has adopted general approach to measure ECLs on financial assets included in prepayments, deposits and other receivables, and other financial assets at amortised cost. Under the general approach, the Group applies the "3-stage" impairment model for ECLs measurement based on change in credit risk since initial recognition as follows:

Stage 1: If the credit risk of the financial instrument has not increased significantly since initial recognition, the financial instrument is included in Stage 1.

Stage 2: If the credit risk of the financial instrument has increased significantly since its initial recognition but is not deemed to be credit-impaired, the financial instrument is included in Stage 2.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in Stage 3.

4. FINANCIAL RISK MANAGEMENT – *continued*

Credit Risk – *continued*

(iii) Other receivables – *continued*

The ECLs for financial instruments in Stage 1 are measured at an amount equivalent to 12-month ECLs whereas the ECLs for financial instruments in Stage 2 or Stage 3 are measured at an amount equivalent to lifetime ECLs.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit risk assessment and including forward-looking information.

Having regard to industry practice and relevant regulation, as well as the background and behaviour of the debtors/counterparties, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. In addition, the Group considers that a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

At the end of the reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the debtor;
(b) a breach of contract, such as a default or past due event;
(c) granting a concession to the debtors that the debtor would not otherwise consider for economic or contractual reasons relating to the debtor's financial difficulty; or
(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as ECL assessment. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Accordingly, the ECL rate on other receivables was assessed to be minimal and no provision was recognised for the period.

Liquidity Risk

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

4. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity Risk – *continued*

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contracted maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities and the earliest date the Group can be required to pay.

With regard to the term loan, which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis reflects the cash flow based on the earliest period in which the entity would be required to pay if the lender was to invoke its unconditional right to call the loan with immediate effect. The maturity analysis for borrowings is prepared based on the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but not exceeding 5 years HK$'000
As at 31 March 2019 (Unaudited)				
Non-derivative financial liabilities:				
Trade and other payables	**44,792**	**44,792**	**44,792**	**–**
Bank borrowings	**13**	**13**	**13**	**–**
Other borrowings	**88,725**	**100,000**	**–**	**100,000**
	133,530	**144,805**	**44,805**	**100,000**
As at 30 September 2018 (Audited)				
Non-derivative financial liabilities:				
Trade and other payables	56,479	56,479	56,479	–
Bank borrowings	55,803	55,803	55,803	–
Other borrowings	86,540	100,000	–	100,000
	198,822	212,282	112,282	100,000

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

4. FINANCIAL RISK MANAGEMENT – *continued*

Liquidity Risk – *continued*

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

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year HK$'000	After 1 year but less than 2 years HK$'000	After 2 years but less than 5 years HK$'000
As at 31 March 2019 (Unaudited)	–	–	–	–	–
As at 30 September 2018 (Audited)	13,187	13,732	6,711	3,473	3,548

Fair Value Estimation

The carrying amounts of trade receivables, deposits and other receivables, cash and bank balances, trade and other payables, bank and other borrowings as at 31 March 2019 and 30 September 2018 approximate their fair values.

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION – *continued*

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 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")		
– Mainland China	**13,759**	13,328
– Hong Kong (place of domicile)	**1,961**	859
USA	**90,107**	82,823
UK	**20,540**	23,749
Rest of Europe	**8,350**	9,437
Japan	**17,164**	19,942
Others	**14,806**	10,894
	166,687	161,032

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 whom accounting for 10% or more of the Group's revenue for the period, is set out below:

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Customer A	**92,389**	76,941
Customer B	**17,101**	19,740
Customer C	**13,040**	16,621

5. SEGMENT INFORMATION – *continued*

Geographical information – *continued*

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 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Hong Kong	**417**	395
Mainland China	**38,513**	39,510
Others	**2**	3
	38,932	39,908

Major products

The Group's disaggregated revenue from its major products are as follows:

	Six months ended 31 March	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Solenoid coils	**99,124**	81,137
Power tool chargers	**17,968**	21,281
Printed circuit board assembly	**21,079**	22,971
Parts assembly	**14,564**	18,011
Others	**13,952**	17,632
Revenue recognised at a point in time	**166,687**	161,032

6. REVENUE

Revenue represents the total invoiced value of goods supplied less discounts and returns. Revenue arising from the sale of goods is recognised at a point in time.

7. OTHER INCOME

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	**18**	1,097
Government grant	**2,726**	1,122
Sundry income	**1,691**	1,698
	4,435	3,917

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.

8. INTEREST INCOME

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest earned on bank deposits and balances	**100**	102

9. FINANCE COSTS

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**860**	1,023
Imputed interest on other loan from a non-controlling shareholder (note 17)	**2,185**	–
	3,045	1,023

10. PROFIT BEFORE INCOME TAX

	Six months ended 31 March	
	2019	2018
	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	**19**	17
Auditors' remuneration:		
– audit services	**314**	302
– other services	**278**	260
Cost of inventories recognised as expenses	**135,595**	138,613
Depreciation of property, plant and equipment	**2,134**	1,602
Exchange losses, net	**776**	1,434
(Reversal of impairment loss)/impairment loss on inventories (Note)	**(996)**	740
Minimum lease payments in respect of rented premises	**4,855**	4,341
Employee benefit expenses (including Directors' remuneration)	**40,141**	39,725

Note:

During the six months ended 31 March 2019, reversal of impairment losses, arising on the sale of inventories previously provided for, of HK$996,000 (six months ended 31 March 2018: impairment losses of HK$740,000) has been recognised in the condensed consolidated statement of profit or loss.

11. INCOME TAX EXPENSE

Income tax expense for the period comprises:

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax – Hong Kong:		
Provision for the period	**1,042**	61
Current income tax – Overseas:		
Provision for the period:		
Mainland China	**8,535**	183
USA	**23**	6
	8,558	189
Deferred tax liabilities (note 18)	**(149)**	14
Income tax expense	**9,451**	264

11. INCOME TAX EXPENSE – *continued*

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

A subsidiary of the Group received an enquiry for information from the Hong Kong Inland Revenue Department (the "IRD") in April 2015 due to a tax audit by the IRD on that subsidiary's profits tax affairs and received assessments for Hong Kong profits tax for prior years in March 2015, February 2016, December 2016, March 2018 and February 2019. The Group has subsequently objected to the assessments made. In addition, in July 2016, May 2017, November 2017, December 2017 and August 2018, the same subsidiary received additional enquiries for information from the IRD. Based on the available information, the Group had made a provision in regards of the tax audit. The Directors believe the provision is adequate to reflect the potential tax liability at the current status. In April 2019, the subsidiary received the draft settlement from the IRD for discussion. The subsidiary will further discuss with the IRD in concluding the final amount. However, the Directors believe that it is not practical, at this stage, to estimate the ultimate financial impact that this may have on the Group, if any.

The PRC corporate income tax charge of HK$8,535,000 (2018: HK$183,000) was determined in accordance with the relevant laws and regulations in Mainland China, and was assessed at a rate of 25% (2018: 25%). The current period tax charge includes an Enterprise Income Tax provision of HK$6,922,000 arising from the one-time transfer of certain land use rights and buildings from one PRC wholly-owned subsidiary to another as part of an internal restructuring/reorganization of the Group.

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. 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$2,211,000 (30 September 2018: HK$1,945,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings (note 18).

12. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 31 March 2019 (31 March 2018: Nil).

13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares of 305,495,000 (31 March 2018: 300,000,000) in issue during the period.

Diluted (loss)/earnings per share

No diluted loss per share for the six months ended 31 March 2019 is presented as the exercise of share options would result in a reduction in loss per share for the six months ended 31 March 2019.

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of the shares for the six months ended 31 March 2018.

There were no potential dilutive ordinary shares outstanding for the six months ended 31 March 2018, and hence, the diluted earnings per share was the same as the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions in the period amounted to HK$1,117,000 (31 March 2018: HK$4,538,000). The additions of HK$4,538,000 were stated net of HK$3,702,000 of prepayments for the purchase of property, plant and equipment in existence as at 30 September 2017 which were subsequently transferred to property, plant and equipment for the six months ended 31 March 2018.

Items of plant and machinery with a net book value of HK$Nil were disposed of during the six months ended 31 March 2019 (31 March 2018: Nil), resulting in a gain on disposal of HK$18,000 (31 March 2018: HK$1,097,000).

Depreciation of HK$2,134,000 (31 March 2018: HK$1,602,000) has been charged to the condensed consolidated statement of profit or loss.

15. TRADE AND OTHER RECEIVABLES

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Trade receivables	**64,259**	60,786
Less: Impairment provisions	**–**	–
Trade receivables – net	**64,259**	60,786
Prepayments and other receivables	**6,708**	5,163
	70,967	65,949

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions are with recourse and accordingly do not meet the requirements in HKFRS 9 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 2019, trade receivables of HK$3,864,000 (30 September 2018: HK$61,013,000) 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 2019, the asset-backed lending liabilities amounted to HK$13,000 (30 September 2018: HK$33,013,000) (note 17).

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

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
0–60 days	**38,834**	51,561
61–90 days	**21,311**	5,992
91–120 days	**4,088**	3,210
More than 120 days	**26**	23
	64,259	60,786

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 (30 September 2018: 30 to 100 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.

15. TRADE AND OTHER RECEIVABLES – *continued*

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

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Neither past due nor impaired	**53,221**	52,133
0–60 days past due	**10,745**	8,630
61–90 days past due	**292**	–
91–120 days past due	**1**	–
Over 121 days past due	**–**	23
	64,259	60,786

Trade receivables that were neither past due nor impaired related to a 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 is necessary in respect of these balances as there has not been a significant change in credit quality.

16. TRADE AND OTHER PAYABLES

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Trade payables	**22,968**	31,942
Other payables and accruals	**21,824**	28,159
	44,792	60,101

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

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
0–60 days	**16,013**	23,841
61–90 days	**5,366**	6,597
More than 90 days	**1,589**	1,504
	22,968	31,942

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

17. BANK AND OTHER BORROWINGS

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Bank borrowings (all secured) comprise:		
Export invoices/loan financing	**–**	9,603
Asset-backed lending	**13**	33,013
Term loan, subject to repayment on demand clause	**–**	13,187
Total bank borrowings	**13**	55,803
Other borrowings (unsecured) comprise:		
Loan from a non-controlling shareholder	**88,725**	86,540
	88,738	142,343
Secured	**13**	55,803
Unsecured	**88,725**	86,540
	88,738	142,343
Bank and other borrowings are repayable as follows:		
Within one year or on demand	**13**	55,803
More than two years but not exceeding five years	**88,725**	86,540
	88,738	142,343
Less: amounts shown under current liabilities	**(13)**	(55,803)
Amounts shown under non-current liabilities	**88,725**	86,540

The asset-backed lending represents the amount of financing obtained in factoring transactions with recourse which do not meet the de-recognition requirements in HKFRS 9. The corresponding financial assets are included in trade receivables (note 15).

The bank borrowings, which are denominated in HK$ and US$, carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the country in which the facility has been taken out.

17. BANK AND OTHER BORROWINGS – *continued*

At 30 September 2018, the term loan which was denominated in Renminbi and carried variable interest rate of 110% of the applicable People's Bank of China benchmark lending rate was secured to provide financing for the purchase of new plant and equipment. The term loan was scheduled for repayment within two years after the end of the reporting period in five equal six-monthly instalments commencing 12 months from the first utilisation date of the loan. The facility agreement contained a clause that provided the bank with an unconditional right to demand repayment at any time at its own discretion. Accordingly, the term loan was classified as current liabilities in the consolidated statement of financial position as at 30 September 2018 and 31 March 2019. The term loan has been fully repaid during the six months ended 31 March 2019.

The effective interest rates on the Group's floating rate borrowings range from 4.4% to 5.6% per annum (30 September 2018: 3.0% to 5.5% per annum).

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

Refer to note 23 for details of pledged assets.

Other borrowings

On 21 August 2018, as part of 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 originally owned by New Wave Capital Limited ("NWC"), a company owned by Mr. Simon Nai-cheng Hsu. NWC agreed to provide Pantene Industrial, a wholly owned subsidiary of the Group, an interest-free and unsecured loan of HK$100,000,000. The borrower is entitled to early repay a portion or all of this loan without giving prior notice.

The HK$100,000,000 loan received was initially recognised at a fair value of HK$86,098,000 which was estimated by discounting the nominal value of the loan at an effective interest rate of 5.0% per annum and as a result, a fair value gain of HK$11,608,000 (net of deferred tax of HK$2,294,000) was credited to the other reserve for the year ended 30 September 2018. For the six months ended 31 March 2019, imputed interest of HK$2,185,000 (31 March 2018: Nil) has been charged to the condensed consolidated statement of profit or loss (note 9).

18. DEFERRED TAX LIABILITIES

The following is the deferred tax liability recognised and the movements thereon in the current and prior periods.

	In respect of withholding tax on un-distributed profits of a subsidiary HK$'000	**Loan from a non-controlling shareholder measured at fair value HK$'000**	**Total HK$'000**
Carrying amount at 1 October 2018	**1,945**	**2,221**	**4,166**
Charge/(credit) to the condensed consolidated statement of profit or loss (note 11)	**212**	**(361)**	**(149)**
Currency realignment	**54**	**–**	**54**
Carrying amount at 31 March 2019	**2,211**	**1,860**	**4,071**

	In respect of withholding tax on un-distributed profits of a subsidiary HK$'000	Loan from a non-controlling shareholder measured at fair value HK$'000	Total HK$'000
Carrying amount at 1 October 2017	1,711	–	1,711
Charge to the condensed consolidated statement of profit or loss (note 11)	14	–	14
Currency realignment	112	–	112
Carrying amount at 31 March 2018	1,837	–	1,837

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008. During the six months ended 31 March 2019, a provision of HK$212,000 has been charged to the condensed consolidated statement of profit or loss representing 5% unremitted earnings incurred in the period (31 March 2018: HK$14,000).

18. DEFERRED TAX LIABILITIES – *continued*

At the reporting date, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Unused tax losses	**101,904**	101,904
Other temporary differences	**2,445**	3,299
	104,349	105,203

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits arising from subsidiaries incorporated in Hong Kong will not expire under current tax legislation and can be carried forward indefinitely.

19. SHARE CAPITAL

	Number of ordinary shares of HK$0.001 each	**Amount** HK$
Authorised:		
500,000,000 (30 September 2018: 500,000,000) ordinary shares of HK$0.001 each	500,000,000	500,000
Issued and fully paid:		
At 1 October 2017 (Audited)	300,000,000	300,000
Issue of shares upon exercise of share options (note (i))	5,495,000	5,495
At 30 September 2018 and 31 March 2019	**305,495,000**	**305,495**

Notes:

(i) In June 2018 and September 2018, the subscription rights attaching to 794,332 share options and 4,700,668 share options respectively, in aggregate 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.

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

20. SHARE PREMIUM

	HK$'000
At 1 October 2017 (Audited)	85,502
Arising from issue of shares on exercise of share options (note (i))	10,735
At 30 September 2018 and 31 March 2019	**96,237**

Note:

(i) As detailed in note 19(i) above, in June 2018 and September 2018, subscription rights attaching to 794,332 share options and 4,700,668 share options respectively, in aggregate 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.

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants of the Group. 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.

On 3 April 2017, the Company granted 7,000,000 share options to Directors, employees and other eligible participants with an exercise price of HK$1.50 per share. The share options vest over a period of three years starting from the date of the grant by one-third each anniversary and are fully vested on 3 April 2020. The share options granted are exercisable after one year but not exceeding ten years from the date of the grant.

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, New Wave Capital Limited 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 then entire issued share capital of the Company, completion of which took place on the same date.

On 1 October 2018, the Company had 600,000 outstanding share options.

On 5 October 2018, as part of the mandatory unconditional cash offer following the sale and purchase agreement whereby an option offer was made by the Offeror for the cancellation of the outstanding share options of the Company, the Offeror received valid acceptances in respect of the 600,000 outstanding share options and these share options were cancelled.

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

The movement in the number of share options under the share options scheme are as follows:

For the six months ended 31 March 2019

	Date of grant	Exercise price HK$	Outstanding at 1 October 2018	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 2019
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)**	**–**
			600,000	**–**	**–**	**(600,000)**	**–**
Weighted average exercise price			**HK$1.50**	**–**	**–**	**HK$1.50**	**–**

For the six months ended 31 March 2018

	Date of grant	Exercise price HK$	Outstanding at 1 October 2017	Granted during the period	Exercised during the period	Lapsed, cancelled or forfeited during the period	Outstanding at 31 March 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	–	–	–	3,100,000
			7,000,000	–	–	–	7,000,000
Weighted average exercise price			HK$1.50	–	–	–	HK$1.50

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

On 11 October 2018, Mr. Henry Woon-hoe Lim, Mr. Ho Hon Ching, Mr. Simon Nai-cheng Hsu, Mr. Pochin Christopher Lu, Mr. Danny J Lay and Ms. Hui Leung Ching Patricia resigned as the directors of the Company.

As at 31 March 2019, the total number of share options outstanding were Nil (30 September 2018: 600,000).

For the share options outstanding as at 31 March 2018, the weighted average remaining contractual life was 3,290 days.

No share-based compensation expenses was charged to the condensed consolidated statement of profit or loss for the six months ended 31 March 2019 (31 March 2018: HK$962,000).

22. RECONCILIATION OF THE NET DECREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH

		Six months ended 31 March	
	Note	**2019** **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Net decrease in cash and cash equivalents		**(60,156)**	(23,728)
Effect of foreign exchange rate changes		**1,258**	1,662
Net movement in cash and cash equivalents		**(58,898)**	(22,066)
Bank borrowings repaid		**55,790**	6,145
Imputed interest on other loan from a non-controlling shareholder		**(2,185)**	–
Net cash at 1 October		**63,652**	28,360
Net cash at 31 March 2019/2018		**58,359**	12,439
Represented by:			
Cash and cash equivalents		**147,097**	68,165
Interest-bearing bank borrowings			
– amounts due within one year or on demand	17	**(13)**	(55,726)
Other borrowings			
– amounts due more than one year	17	**(88,725)**	–
		58,359	12,439

23. PLEDGE OF ASSETS

At 31 March 2019, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and Mainland China, amounted to approximately HK$66,674,000 (30 September 2018: HK$116,500,000) comprising overdraft, asset-backed lending facility and import loans. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial, certain corporate guarantees from the Company and in the case of the asset-backed lending facility, an assignment over specific trade receivables. At 31 March 2019, the amount drawn down under the confidential invoice facility was HK$13,000 (30 September 2018: HK$33,013,000), the import loan facility was Nil (30 September 2018: HK$9,603,000) and the term loan was Nil (30 September 2018: HK$13,187,000).

24. CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any capital commitment (30 September 2018: Nil).

25. CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (30 September 2018: Nil).

26. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	31 March 2019 HK$'000 (Unaudited)	30 September 2018 HK$'000 (Audited)
Operating leases which expire:		
Within one year	**9,722**	7,953
In the second to fifth years inclusive	**33,588**	31,471
Over five years	**16,233**	20,739
	59,543	60,163

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 3 months to 6 years (30 September 2018: 3 months to 7 years) with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

27. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the financial statements, the Group entered into the following significant transactions with related parties during the period.

During the six months ended 31 March 2019, the Group did not supply goods to fellow subsidiaries (31 March 2018: HK$924,000). The balance outstanding at 31 March 2019, which has been included within amounts due from fellow subsidiaries in the consolidated statement of financial position, is Nil (31 March 2018: HK$122,000).

During the six months ended 31 March 2019, the Group did not purchase plant and equipment from a fellow subsidiary (31 March 2018: HK$633,000). The balance outstanding at 31 March 2019 is Nil (31 March 2018: Nil).

Compensation of the key management personnel of the Group, including Directors' remuneration, is as follows:

	Six months ended 31 March	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Directors' fees	**366**	450
Salaries, allowances and other benefits	**1,348**	3,980
Retirement benefits scheme contributions	**17**	36
Equity-settled share-based payment expenses (note 21)	**–**	962
	1,731	5,428

28. EVENT AFTER BALANCE SHEET DATE

On 3 April 2019, 6,192,000 share options to subscribe for 6,192,000 ordinary shares at par value of HK$0.001 each in the Company were granted to the Executive Directors, employees and other eligible participants. 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.

Details of the share options granted had been disclosed in the Company's announcement dated 3 April 2019.

29. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited Interim Financial Statements of the Group were approved and authorised for issue in accordance with a resolution of the Board of Directors on 24 May 2019.

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

As at the date of this interim report, so far as is known to the Directors, the interests or short positions of the Directors of the Company and their associates in the ordinary shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

(a) Long positions in the shares

Name of Directors	Capacity	Number of shares interested(L) Note (1)	Approximate percentage of shareholding
Mr. Lee Chris Curl	Beneficial Owner (Note 2)	2,700,000(L)	0.88%
Mr. Lan Jianzhong	Beneficial Owner (Note 3)	600,000(L)	0.20%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Pursuant to the share option scheme adopted by the Company on 27 October 2016, Mr. Lee Chris Curl is deemed to be interested in 2,700,000 shares as 2,700,000 share options have been granted to him on 3 April 2019, as at the date of this interim report, none of these share options has been exercised.

3. Pursuant to the share option scheme adopted by the Company on 27 October 2016, Mr. Lan Jianzhong is deemed to be interested in 600,000 shares as 600,000 share options have been granted to him on 3 April 2019, as at the date of this interim report, none of these share options has been exercised.

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

As at 31 March 2019, the interests or short positions of those persons (other than the Director whose interests are disclosed above) in the ordinary shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number of shares interested	Approximate percentage of shareholding(*)
Huobi Global Limited ("Huobi Global")	Beneficial owner	199,303,269	65.24%
Huobi Capital Inc. ("Huobi Capital")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Huobi Universal Inc. ("Huobi Universal")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Techwealth Limited ("Techwealth")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Mr. Li Lin ("Mr. Li")	Interest of controlled corporation (Note 1)	199,303,269	65.24%
Trinity Gate Limited ("Trinity Gate")	Beneficial owner	20,447,399	6.69%
Timeness Vision Limited ("Timeness Vision")	Interest of controlled corporation (Note 2)	20,447,399	6.69%
Teng Rongsong ("Mr. Teng")	Interest of controlled corporation (Note 2)	20,447,399	6.69%

(*) The percentage has been calculated based on 305,495,000 shares in issue as at 31 March 2019.

Note:

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

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

Save as disclosed above, as at the date of this interim report, so far as is known to the Directors, the Company has not been notified of any other interests or short positions in the ordinary shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

Other Information

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

With effect from 22 February 2019, Mr. Lan Jianzhong has been appointed as an executive Director.

With effect from 22 February 2019, Mr. Huo Li has resigned as an executive Director.

With effect from 22 February 2019, Mr. Ngai Matthew Cheuk Yin has been appointed as an independent non-executive Director.

With effect from 22 February 2019, Mr. Zhou Guohua has resigned as an independent non-executive Director.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during the period under review and up to the date of this interim report.

CORPORATE GOVERNANCE CODE

During the six months ended 31 March 2019, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, save and except that the Group did not have an internal audit function as per code provision C.2.5 of the CG Code.