PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017

Financial Highlights

	For the year ended 30 September		
	2017	**2016**	%
	HK$'000	**HK$'000**	Change
Revenue	306,422	289,002	6.0%
Gross profit	67,633	69,149	(2.2%)
Gross profit margin	22.1%	23.9%	(7.5%)
Profit before income tax (excluding listing expenses and relocation costs)	23,933	40,650	(41.1%)
Profit before income tax	10,034	23,423	(57.2%)
Profit attributable to owners of the Company	5,194	14,664	(64.6%)
Basic and diluted earnings per share	HK cents 1.78	HK cents 6.19	(71.2%)
Net cash	28,360	34,774	(18.4%)
Total equity	108,596	30,973	250.6%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income

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

Selling and distribution expenses

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

Administrative expenses

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

Restructuring costs

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

Finance costs

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

Listing expenses

The Group incurred listing expenses of HK$5.9 million and HK$17.2 million in FY 2017 and FY 2016, respectively, in relation to the Group's listing on the Stock Exchange of Hong Kong on 21 November 2016.

Profit before income tax

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

Income tax expense

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

Profit for the year

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

Dividend

On 11 May 2017, the Directors approved the payment of an interim dividend of HK$15,000,000 (5 HK cents per ordinary share) in relation to the year ended 30 September 2017. The dividend was distributed on 23 June 2017 to shareholders whose names were recorded in the Register of Members of the Company on 8 June 2017.

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

The net proceeds from the listing of the Company, based on an offer price of HK$1.50 per share and after deducting underwriting fees and related expenses, amounted to approximately HK$62.5 million. In line with the disclosures in the Prospectus, as at the reporting date, the Company has used/intends to use the proceeds as follows:

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

On 30 December 2016, the Company entered into a formal lease agreement regarding manufacturing premises in Guangming. We are currently in the process of relocating our manufacturing facilities from our existing manufacturing plant in Songgang to the new facility. We anticipate that the relocation will be completed in the second quarter of Fiscal 2018. Because the relocation has taken longer than expected and certain estimates used in the Prospectus allocation have been superseded by actual costs, the plan of the use of proceeds, while not significantly different from the original allocation, nonetheless has changed. Unused proceeds have been deposited with banks in Hong Kong.

OUTLOOK

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

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

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

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

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

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

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

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

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

The board (the "Board") of directors (the "Director(s)") of Pantronics Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2017 ("FY 2017") together with the comparative figures for the year ended 30 September 2016 ("FY 2016").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2017

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

		2017 HK cents	**2016 HK cents**
Earnings per share			
- Basic and diluted	12	1.78	6.19

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	5,194	14,664
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on the translation of financial statements of foreign operations	671	(2,865)
Other comprehensive income for the year, net of tax	671	(2,865)
Total comprehensive income for the year attributable to owners of the Company	**5,865**	**11,799**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		36,089	16,502
Prepayments for the purchase of property, plant and equipment		3,702	—
Prepaid land lease payments under operating leases		321	355
		40,112	16,857
Current assets			
Inventories		43,886	21,488
Trade and other receivables	13	65,539	62,869
Amounts due from fellow subsidiaries		908	247
Amount due from the immediate holding company		13	—
Cash and bank balances		90,231	74,456
		200,577	159,060
Current liabilities			
Trade and other payables	14	56,737	59,582
Bank borrowings		61,871	39,682
Provision	15	1,208	—
Dividend payable	11	—	30,000
Amount due to the immediate holding company		—	1
Tax payable		10,566	14,379
		130,382	143,644
Net current assets		70,195	15,416
Total assets less current liabilities		110,307	32,273
Non-current liabilities			
Deferred tax liabilities		1,711	1,300
Net assets		108,596	30,973
EQUITY			
Share capital	16	300	—
Reserves		108,296	30,973
Total equity attributable to owners of the Company		108,596	30,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

1. GENERAL INFORMATION

Pantronics Holdings Limited (the "Company") was incorporated in the British Virgin Islands (the "BVI") as a limited liability company on 27 December 1990 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong") on 21 November 2016 (the "Listing Date"). The address of the Company's registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Flat/RM 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the contract manufacturing, on electronic manufacturing services basis, of a wide range of power-related and electrical/electronic products. This business segment is the basis upon which the Group reports its primary segment information.

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

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

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

2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

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

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

Amendments to HKAS 1 - Disclosure Initiative

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

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2017

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

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

Amendments to HKAS 7 - Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets relating to debt instruments measured at fair value.

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

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

HKFRS 9 - Financial Instruments

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

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

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

Based on the Group's financial instruments and risk management policies as at 30 September 2017, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of customers and other debtors the Group has business with and the actual impairment of receivables experienced. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review. On the other hand, the management will assess the business model in relation to the Group's investment portfolio at initial application of HKFRS 9.

HKFRS 15 - Revenue from Contracts with Customers

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

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

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

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

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

Amendments to HKFRS 15 - Clarifications to HKFRS 15 Revenue from Contracts with Customers

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

HKFRS 16 - Leases

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

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

As at 30 September 2017, the Group has non-cancellable operating lease commitments of approximately HK$72,123,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

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

3. SEGMENT INFORMATION

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

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

Geographical information

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

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

The revenue information above is based on the location of the customers.

"Others" above, represents sales to various countries which, individually represent less than 10% of the total revenue of the Group.

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the year, is set out below:

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

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

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

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

4. REVENUE

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

5. OTHER INCOME

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

6. INTEREST INCOME

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

7. RESTRUCTURING COSTS

	2017 HK$'000	2016 HK$'000
Onerous contract (note 15)	1,208	—

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

8. FINANCE COSTS

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

9. PROFIT BEFORE INCOME TAX

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

10. INCOME TAX EXPENSE

Income tax expense for the year comprises:

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

Notes:

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

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

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

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

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

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

(d) During the year ended 30 September 2015, dividends attributable to post 1 January 2008 earnings were remitted to Pantene Industrial Co. Limited ("Pantene Industrial") from its wholly owned PRC-based subsidiary, Shenzhen Pantai Electronic Co., Ltd. ("Shenzhen Pantai"). The Group has decided that, as it is probable that Shenzhen Pantai will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK$1,711,000 (2016: HK$1,300,000) has been established at the end of the reporting period in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings.

11. DIVIDENDS

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

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

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

At a board meeting held on 11 May 2017, the Directors approved the payment of an interim dividend of HK$15,000,000 (5 HK cents per ordinary share) in relation to the year ended 30 September 2017. This dividend was distributed on 23 June 2017 to shareholders whose names were recorded in the Register of Members of the Company on 8 June 2017.

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

12. EARNINGS PER SHARE

Basic earnings per share

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

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

Note:

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

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

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the year ended 30 September 2017.

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

13. TRADE AND OTHER RECEIVABLES

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

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 2017, trade receivables of HK$57,270,000 (2016: HK$56,034,000) continue to be recognised in the consolidated statement of financial position even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2017, the asset-backed lending liabilities amounted to HK$36,763,000 (2016: HK$32,889,000).

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

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

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

The Group allows credit periods ranging from 30 to 100 days (2016: 30 to 120 days) to its trade customers depending on their credit status and geographical location during the year. The Directors of the Company consider that the carrying amounts of trade and other receivables approximate to their fair values.

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

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

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

Notes:

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

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

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

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

15. PROVISION

	Onerous contract HK$'000
At 1 October 2015, 30 September 2016 and 1 October 2016	—
Provision for the year (note 7)	1,208
Carrying amount at 30 September 2017 included in current liabilities	1,208

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

16. SHARE CAPITAL

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

Notes:

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

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

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

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

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

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

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

17. SHARE PREMIUM

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

Notes:

(i) As detailed in note 16(vi) above, on 21 November 2016, the Company listed 63,000,000 ordinary shares at par value of HK$0.001 each at a price of HK$1.50 per share on the Main Board of the Stock Exchange of Hong Kong. Of the gross proceeds of HK$94,500,000, HK$63,000 was credited to the Company's share capital and the remaining HK$94,437,000 was credited to the share premium account.

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

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

	Date of grant	Exercise price HK$	Outstanding at 1 October 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30 September 2017
Executive Directors							
Mr. Henry Woon-hoe Lim	3 April 2017	1.50	—	1,500,000	—	—	1,500,000
Mr. Ho Hon Ching	3 April 2017	1.50	—	1,000,000	—	—	1,000,000
Non-executive Director							
Mr. Simon Nai-cheng Hsu	3 April 2017	1.50	—	500,000	—	—	500,000
Independent Non-executive Directors							
Mr. Pochin Christopher Lu	3 April 2017	1.50	—	300,000	—	—	300,000
Mr. Danny J Lay	3 April 2017	1.50	—	300,000	—	—	300,000
Ms. Hui Leung Ching Patricia	3 April 2017	1.50	—	300,000	—	—	300,000
Other eligible participants	3 April2017	1.50	—	3,100,000	—	—	3,100,000
			—	7,000,000	—	—	7,000,000
Weighted average exercise price			—	HK$1.50	—	—	HK$1.50

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

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

During the year, the Group has secured a RMB 20 million loan facility to provide financing in the PRC for the purchase of new plant and equipment. The working capital position of the Group remains healthy and, once the relocation plan is completed, we expect that our liquidity position will be further strengthened by using a combination of cash generated from operating activities and bank borrowings.

CASH FLOW FROM OPERATING ACTIVITIES

Net cash used in operating activities was HK$20.8 million (2016: net cash generated from operating activities of HK$43.8 million). Contributing to the cash outflow were increases in working capital of HK$33.9 million in FY 2017, compared to decreases of HK$24.5 million in FY 2016.

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

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

CAPITAL EXPENDITURE

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

TREASURY MANAGEMENT

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

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

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

CHARGE ON GROUP ASSETS

At 30 September 2017, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK$113.2 million, comprising overdraft, confidential invoicing, import loans and a term loan. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial, certain corporate guarantees from the Company and, in the case of the confidential invoice facility, an assignment over specific trade receivables. At 30 September 2017, the amount drawn down under the confidential invoice facility was HK$36.8 million, the import loans facility was HK$11.7 million and the term loan facility was HK$13.4 million. The term loan facility was secured during the year to provide financing for the purchase of new plant and equipment.

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

CONTINGENT LIABILITIES

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

COMMITMENTS

As at 30 September 2017, the Group had approximately HK$14.2 million (2016: HK$nil) of capital commitments in relation to the purchase of new machines and equipment for the installation of new production lines and leasehold improvements in the new manufacturing facility in Guangming.

Our contract commitments include minimum lease payments under non-cancellable operating leases in respect of rented premises of approximately HK$72.1 million (2016: HK$6.2 million). The increase relates to the lease entered into on 30 December 2016 in relation to the new production facilities in Guangming.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

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

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

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

EMPLOYEES

At 30 September 2017, the Group had 819 employees (30 September 2016: 776) working in Hong Kong, the PRC and the USA. The increase in the year reflects the increase in revenues and the impact of the listed status of the Group. Employees are remunerated according to their performance and work experience. The Group has also adopted certain bonus programmes, which are determined annually based on certain criteria including performance of the Company and individual employees. The total employment costs (including remuneration of the Directors and mandatory provident fund contributions) in FY 2017 amounted to HK$76.2 million (FY 2016: HK$63.3 million).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") with effect from 27 October 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Scheme is to recognise and acknowledge the contributions eligible participants have made to the Group. On 3 April 2017, 7,000,000 share options to subscribe for 7,000,000 ordinary shares of HK$0.001 each in the Company were granted. During the year ended 30 September 2017 and up to the date of this announcement, no options have been exercised, cancelled or lapsed. As at the date of this announcement, the outstanding number of share options available for issue under the Scheme was 23,000,000, representing 7.7% of the number of the issued shares of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with the CG Code from the Listing Date up to the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee was established on 27 October 2016. It comprises three independent non-executive Directors, namely Mr. Pochin Christopher Lu (Chairman), Mr. Danny J Lay and Ms. Hui Leung Ching Patricia.

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

The Audit Committee has reviewed the annual results announcement and the audited consolidated annual financial statements of the Group for the year ended 30 September 2017.

SCOPE OF WORK PERFORMED BY THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of other comprehensive income and the related notes thereto for the year ended 30 September 2017 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

CLOSURE OF THE REGISTER OF MEMBERS

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

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE 2017 ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.pantronicshk.com. The Company's 2017 Annual Report containing all of the information as required by the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange and on the website of the Company in due course.

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

Hong Kong, 18 December 2017

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