PANTRONICS HOLDINGS LIMITED
桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 1611)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

Financial Highlights

	Six months ended 31 March		
	2019	**2018**	**% Change**
	HK$'000	*HK$'000*	
Revenue	166,687	161,032	3.5%
Gross profit	31,092	22,419	38.7%
Gross profit margin	18.7%	13.9%	34.5%
Profit before income tax (excluding relocation costs in 2018)	7,810	5,110	52.8%
Profit before income tax	7,810	1,250	524.8%
(Loss)/profit attributable to owners of the Company	(1,641)	986	(266.4%)
Basic (loss)/earnings per share	HK cents (0.54)	HK cents 0.33	(263.6%)
Diluted earnings per share	N/A	HK cents 0.33	N/A
Interim dividend	–	–	N/A

The board of Directors (the "Board") of Pantronics Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 March 2019 (the "Period") together with the comparative figures for the six months ended 31 March 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		Six months ended 31 March	
	Notes	**2019**	2018
		HK\$'000	*HK\$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**166,687**	161,032
Cost of sales		**(135,595)**	(138,613)
Gross profit		**31,092**	22,419
Other income	*5*	**4,435**	3,917
Interest income	*6*	**100**	102
Selling and distribution expenses		**(3,487)**	(3,807)
Administrative expenses		**(21,285)**	(20,358)
Finance costs	*7*	**(3,045)**	(1,023)
Profit before income tax	*8*	**7,810**	1,250
Income tax expense	*9*	**(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	*11*		
– 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		**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	*12*	**70,967**	65,949
Cash and bank balances		**147,097**	205,995
		253,357	311,224
Current liabilities			
Trade and other payables	*13*	**44,792**	60,101
Contract liabilities		**4,714**	–
Bank and other borrowings		**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		**88,725**	86,540
Deferred tax liabilities		**4,071**	4,166
		92,796	90,706
Net assets		**134,378**	134,887
EQUITY			
Share capital	*14*	**305**	305
Reserves		**134,073**	134,582
Total equity attributable to owners of the Company		**134,378**	134,887

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.

(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.

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**	**Carrying amount as at 1 October 2018 under HKFRS 9**
			HK$'000	*HK$'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.

(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.

(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.

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 were 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)

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.

(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.

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. 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.

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.

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. SEGMENT INFORMATION

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

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

Geographical information

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

	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

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	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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	2018
	HK$'000	*HK$'000*
	(Unaudited)	(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

4. 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.

5. 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.

6. INTEREST INCOME

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

7. 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	**2,185**	–
	3,045	1,023

8. 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.

9. 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	**(149)**	14
Income tax expense	**9,451**	264

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.

10. DIVIDENDS

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

11. (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.

12. TRADE AND OTHER RECEIVABLES

	31 March 2019	30 September 2018
	HK\$'000	*HK\$'000*
	(Unaudited)	(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).

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

	31 March 2019	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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.

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	30 September 2018
	HK$'000	*HK$'000*
	(Unaudited)	(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.

13. 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.

14. 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.

15. 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 14(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.

16. 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.

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

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).

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 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.

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

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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Yip Wai Ming (Chairman), Mr. Duan Xiongfei and Mr. Ngai Matthew Cheuk Yin.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems and internal control procedures and review of the Group's financial information. The Interim Financial Statements of the Group for the six months ended 31 March 2019 have been reviewed by the Audit Committee.

The Interim Financial Statements of the Group for the six months ended 31 March 2019 have been reviewed by the external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 31 March 2019 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.pantronicshk.com).

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

Hong Kong, 24 May 2019

As at the date of this announcement, the Board comprises Mr. Lee Chris Curl and Mr. Lan Jianzhong as the executive Directors; and Mr. Duan Xiongfei, Mr. Yip Wai Ming and Mr. Ngai Matthew Cheuk Yin as the independent non-executive Directors.