First Quarterly Report 2016

On Real International Holdings Limited
安悅國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8245

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the "**Directors**") of On Real International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

Contents

FINANCIAL HIGHLIGHTS

- Revenue of the Company for the three months ended 30 June 2016 amounted to approximately HK$62.1 million, representing a decrease of approximately 7.2% as compared with that of approximately HK$66.9 million for the three months ended 30 June 2015.

- Loss attributable to the owner of the Company for the three months ended 30 June 2016 amounted to approximately HK$0.6 million compared with loss of approximately HK$1.8 million for the three months ended 30 June 2015.

- Basic and diluted losses per share for the three months ended 30 June 2016 amounted to approximately HK cents 0.13 (losses per share for the three months ended 30 June 2015: HK cents 0.49).

- The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the "**Board**") of the Company is pleased to present the unaudited condensed consolidated results of our Group for the three months ended 30 June 2016, together with the unaudited comparative figures for the corresponding periods in 2015.

BUSINESS REVIEW

We are a two-way radio product designer and manufacturer established in 2001. We derive the revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing (the "**ODM**") basis.

The revenue decreased from approximately HK$66.9 million for the three months ended 30 June 2015 to approximately HK$62.1 million for the three months ended 30 June 2016, representing a decrease of approximately 7.2%. The decrease was mainly due to (i) the economic downturn and financial uncertainty in the US markets which had a material impact on sales of the Group's product in such regions; and (ii) the reformulation and change of sales strategy of the one of the major customers of the Group (the "**Customer**"). The Customer started to place the purchases order through the licensee for the three months ended 30 June 2016.

As detailed in the Company's announcement dated 9 May 2016, during the transition period for relocation of certain production facilities and equipments from the factory in Shenzhen to factory in Yunfu, the production efficiency has been affected. Certain sales to Germany had been postponed for the three months ended 30 June 2016.

The revenue of two-way radios decreased by approximately 6.9% from approximately HK$57.7 million for the three months ended 30 June 2015 to approximately HK$53.8 million mainly due to the decrease in demand from the Customer for reason mentioned above. The revenue of baby monitor decreased by 19.6% from approximately HK$5.0 million for the three months ended 30 June 2015 to approximately HK$4.0 million for the three months ended 30 June 2016 mainly due to the decrease in demand of our audio baby monitor products as compared to the huge demand on our audio baby monitor newly released in the corresponding period in last year.

The Company will continue to diversify the revenue stream and expand the customer base by expanding product offerings and exploring business opportunity with current and potential customers.

The following tables set forth the breakdowns of the turnover of the Group by product categories for each of the three months ended 30 June 2016 and 2015:

	Unaudited For the three months ended 30 June					
	2016		2015		**Increase (Decrease)**	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Two-way radios	**53,781**	**86.6**	57,745	86.3	(3,964)	(6.9)
Baby monitors	**4,003**	**6.5**	4,980	7.4	(977)	(19.6)
Servicing business	**19**	**0.0**	1,026	1.5	(1,007)	(98.2)
Other products	**4,288**	**6.9**	3,161	4.7	1,127	35.7
	62,091	**100.0**	66,912	100.0	(4,821)	(7.2)

OUTLOOK

The new products pipeline of the Group has competitive power, with new models in all three product categories of consumer two-way radios, commercial two-way radios and baby monitors. During the period, we received 2 new project awards from our customers including digital two-way radio, waterproof high-end two-way radios, high-end digital audio baby monitors with better sound quality and features and high-end digital audio baby monitors with non-invasive movement sensing capability.

Our business objectives are to grow our existing business, diversify the revenue streams and expand our customer base by expanding product offerings and features, improving information technology system and strengthening management and widening sales channel. We are also reviewing our business and manufacturing processes and will implement cost saving measures in operation if appropriate.

Below are the progress of the implementation of our objectives and strategies as disclosed in our prospectus (the "**Prospectus**") dated 18 September 2015:

i) Strengthen our product portfolio: we are going to develop new high-end two-way radio and baby monitor products with new features and technologies, such as Internet-of-Things ("**IoT**") connectivity and non-invasive movement sensing. The new waterproof high-end two-way radio has been launched in March 2016. The high-end commercial digital two-way radio and high-end marine two-way radio is expected to be launched in mid 2016 and late 2016 respectively. A new series of baby monitor products and the new video baby monitor products is expected to be launched around end of 2016 and early of 2017 respectively.

ii) Enhance our information management system: we are in the process of evaluating our information management system and will start the enhancement program in November 2016.

iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and strengthen the presence in the US and the People's Republic of China (the "**PRC**") by introducing our products and services to potential customers. We have started to explore new sales channels to launch new products in North America through participating in a crowd funding activity, in which the first launch of the program will start in July 2017.

iv) Achieve economies of scale and cost saving for the longer term: we are consolidating our manufacturing sites to a single vertically integrated factory campus at Yunfu. The current production facilities and equipment at our Shenzhen factory will be moved to Yunfu factory campus. During the transition period for relocation of certain production facilities and equipments from the factory in Shenzhen to factory in Yunfu, the production efficiency has been affected and will incur one-off extra-ordinary expenses. However, we will reap improved future efficiencies from consolidated operations, and a lower cost structure there.

PROSPECT

We will continue to put effort in developing new model of our products which is expected to bring growth potential for turnover to the Group and returns to the shareholders.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost and labour cost. Our cost of sales decreased by approximately 3.6% from approximately HK$55.5 million for the three months ended 30 June 2015 to approximately HK$53.5 million for the three months ended 30 June 2016, which is in line with the decrease in revenue. The gross margin decreased from approximately 17.0% for the three months ended 30 June 2015 to approximately 13.8% for the three months ended 30 June 2016, the decrease in the gross margin was mainly due to the increase in subcontracting charges.

Other gains/(losses) — net

We recorded other losses of approximately HK$0.1 million for the three months ended 30 June 2015 and turnaround to other gains of approximately HK$0.4 million for the three months ended 30 June 2016, which was mainly due to fair value loss on financial asset through profit and loss account to become gain.

Selling and distribution expenses

The selling and distribution expenses increased from approximately HK$0.8 million for the three months ended 30 June 2015 to approximately HK$1.0 million for the three months ended 30 June 2016, which was mainly due to new sales and distribution networks' setup fee in North America.

Administrative expenses

The administrative expenses decreased from approximately HK$10.9 million for the three months ended 30 June 2015 to approximately HK$9.1 million for the three months ended 30 June 2016, which was mainly due to no listing expenses incurred in three months ended 30 June 2016.

Loss attributable to the owners of the Company

The loss decreased from approximately HK$1.8 million for the three months ended 30 June 2015 to approximately HK$0.6 million for the three months ended 30 June 2016, was mainly due to the decrease in gross profit of approximately HK$1.2 million because of the decrease in revenue set-off with turnaround of other losses to other gains and decrease in administrative expenses for reasons mentioned in above.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2016.

Use of proceeds from the Listing

As stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group intends to use the proceeds for (i) strengthen our product portfolio; (ii) enhance our information management systems; (iii) strengthen our marketing efforts; and (iv) working capital and other general corporate purposes.

On 30 September 2015, 120,000,000 ordinary shares of the Company were allotted at HK$0.57 per placing share pursuant to the Placing (as defined in the Prospectus). The net proceeds from the Placing received by the Company were approximately HK$30.9 million (after deduction of any related expenses). As at 30 June 2016, the unused proceeds of approximately HK$23.9 million were deposited into licensed banks in Hong Kong. The Company intends to continue to apply the remaining net proceeds in accordance with the proposed applications set out above.

During the three months ended 30 June 2016, the net proceeds had been utilized as follows:

	Actual net proceeds	**Amount utilized up to 30 June 2016**	**Balance as at 30 June 2016**
	HK$ Million	HK$ Million	HK$ Million
Strengthen our product portfolio	21.7	3.6	18.1
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	1.8	2.2
Working capital and other general corporate purposes	2.8	1.6	1.2
Total	30.9	7	23.9

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2016, Mr. Tam Wing Ki being the controlling shareholder of the Company, had the following interests in the shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") as recorded in the register required to be kept under section 352 of SFO:

Name of Shareholders	Name of Companies	Capacity	Number of shares and underlying shares	Percentage of shareholding
Mr. Tam Wing Ki *(Note 1)*	the Company	Beneficial owner	179,460,000	37.39%

Note:

1. All interests stated above represent long positions.

During the three months ended 30 June 2016, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 30 June 2016, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the Directors, at 30 June 2016, the following shareholders had interests in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Mr. Tam Wing Ki *(Note 1)*	Beneficial owner	179,460,000	37.39%
Ms. Tang Yin Ping *(Note 1)*	Interest of her child under 18 or spouse/ interest of a substantial shareholder's child under 18 or spouse	179,460,000	37.39%
Solution Smart Holdings Limited *(Note 2)*	Beneficial owner	74,412,000	15.50%
SW Venture Asia Limited *(Note 3 and 5)*	Interest in a controlled corporation	74,412,000	15.50%
Mr. Yeung Shing Wai *(Note 3 and 5)*	Interest in a controlled corporation	74,412,000	15.50%
Mr. Hsu Wang Sang *(Note 4 and 5)*	Beneficial owner	79,740,000	16.61%
Ms. Chan Nga Fun *(Note 4 and 5)*	Interest of her child under 18 or spouse/ interest of a substantial shareholder's child under 18 or spouse	79,740,000	16.61%
HF Pre-IPO Fund	Beneficial owner	26,350,000	5.49%
Huge China Holdings Limited	Beneficial owner	26,350,000	5.49%

Notes:

1. Ms. Tang Yin Ping, spouse of Mr. Tam Wing Ki, who is the Executive Director and Chief Executive Officer of the Company, was deemed to be interested in 179,460,000 shares in which Mr. Tam Wing Ki is interested in for the purpose of the SFO.

2. Solution Smart Holdings Limited is an investment holding company which is wholly and beneficially owned by SW Venture Asia Limited.

3. Mr. Yeung Shing Wai is the beneficial owner of SW Venture Asia Limited, which indirectly held 74,412,000 Shares of the Company as at 30 June 2016, and has therefore deemed to have an interest in the Shares held by Solution Smart Holdings Limited.

4. Ms. Chan Nga Fun is the spouse of Mr. Hsu Wang Sang. Therefore, Ms. Chan is deemed to be interested in the Shares in which Mr. Hsu is interested for the purpose of the SFO.

5. On 6 July 2016, the Company was notified that 34,200,000 Shares was acquired by Solution Smart Holdings Limited from Mr. Hsu Wang Sang on 4 July 2016. As a result, as at the date of this report, (i) Mr. Yeung Shing Wai is deemed to have interest in 108,612,000 Shares held by Solution Smart Holdings Limited; and (ii) Mr. Hsu Wang Sang holds 45,540,000 Shares and Ms. Chan Nga Fun is deemed to be interested in 45,540,000 Shares held by Mr. Hsu Wang Sang for the purpose of the SFO.

6. All interests stated above represent long positions.

Save as disclosed above, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the three months ended 30 June 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the three months ended 30 June 2016, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2016. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the three months ended 30 June 2016, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the three months ended 30 June 2016 under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Tam is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Tam is the founder of the Group and has been operating and managing the Group since 2001, the Board considers that the roles of chairman and chief executive officer being performed by Mr. Tam enable more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS' SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to Rules 5.67 of the GEM Listing Rules ("**Model Code**") as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the Directors and all the Directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions during the three months ended 30 June 2016.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the three months ended 30 June 2016.

SHARE OPTION SCHEME

The share option scheme of the Company ("**Scheme**") was adopted pursuant to a resolution passed by the Company's shareholders on 16 September 2015 ("**Adoption Date**") for the primary purpose is to attract, retain and motivate talented Participants, to strive for future developments and expansion of the Group. Eligible participants of the Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Scheme will remain valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is adopted, after which period no further Share Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix IV to the Company's prospectus dated 18 September 2015. No share options have been granted under the Scheme since its adoption.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Lego Corporate Finance Limited ("**Lego**"), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Lego dated 26 January 2016, neither Lego nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2016.

AUDIT COMMITTEE

The existing audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors of the Company, chaired by Mr. Wong Ching Wan and the other two members are Mr. Cheng Yuk Kin and Mr. Fan Chun Wah, Andrew.

The unaudited first quarterly financial results of the Group for the three months ended 30 June 2016 have been reviewed by the Audit Committee.

By Order of the Board
On Real International Holdings Limited
Tam Wing Ki
Chairman and Executive Director

Hong Kong, 9 August 2016

As at the date of this report, the executive Directors are Mr. Tam Wing Ki, and Mr. Tao Hong Ming, the non-executive Director is Mr. Chau Wai Hung, Andy and the independent non-executive Directors are Mr. Cheng Yuk Kin, Mr. Fan Chun Wah, Andrew and Mr. Wong Ching Wan.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2016

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015 which have been reviewed and approved by the audit committee of the Company (the "**Audit Committee**"), as follows:

		Three months ended 30 June	
		2016	2015
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	3	**62,091**	66,912
Cost of sales	6	**(53,525)**	(55,542)
Gross profit		**8,566**	11,370
Other income/(expenses) — net	4	**253**	(33)
Other gains/(losses) — net	5	**389**	(957)
Selling and distribution expenses	6	**(1,045)**	(786)
Administrative expenses	6	**(9,019)**	(10,857)
Operating loss		**(856)**	(1,263)
Finance income		**212**	509
Finance costs		**(142)**	(364)
Finance income — net		**70**	145
Loss before income tax		**(786)**	(1,118)
Income tax credit/(expenses)	7	**162**	(652)
Loss for the period attributable to the owners of the Company		**(624)**	(1,770)
Loss per share attributable to owners of the Company for the period — Basic and diluted (expressed in HK cents per share)	8	**(0.13)**	(0.49)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2016

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(624)**	(1,770)
Other comprehensive income:		
Currency translation differences	**15**	13
Other comprehensive income for the period, net of tax	**15**	13
Total comprehensive loss for the period attribute to owners of the Company	**(609)**	(1,757)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Attributable to owners of the Company						
	Share Capital HK$'000	Share Premium HK$'000	Capital Reserve HK$'000	PRC Statutory Reserve HK$'000	Exchange Reserve HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Total Equity HK$'000
Balance at 1 April 2016 (Audited)	**4,800**	**75,468**	**(5,826)**	**3,971**	**3,986**	**(12,355)**	**70,044**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(624)**	**(624)**
Other comprehensive income							
Currency translation differences	**—**	**—**	**—**	**—**	**15**	**—**	**15**
Total comprehensive loss	**—**	**—**	**—**	**—**	**15**	**(624)**	**(609)**
Balance at 30 June 2016 (Unaudited)	**4,800**	**75,468**	**(5,826)**	**3,971**	**4,001**	**(12,979)**	**69,435**
Balance at 1 April 2015 (Audited)	—	22,126	(5,826)	3,182	3,347	3,431	26,260
Loss for the period	—	—	—	—	—	(1,770)	(1,770)
Other comprehensive income							
Currency translation differences	—	—	—	—	13	—	13
Total comprehensive loss	—	—	—	—	13	(1,770)	(1,757)
Balance at 30 June 2015 (Unaudited)	—	22,126	(5,826)	3,182	3,360	1,661	24,503

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 CORPORATION INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 30 June 2014 as an exempted company with limited liability under Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised), of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Room 2401–02, 24/F., Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the trading and manufacturing of two-way radios, baby monitors and other communication devices and servicing business of the above products. The controlling shareholders of the Company are Mr. Tam Wing Ki ("**Mr. Tam**") and Mr. Hsu Wing Sang ("**Mr. Hsu**") (collectively, the "**Controlling Shareholders**").

The Company was listed on the GEM on 30 September 2015.

This unaudited condensed consolidated financial information is presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

(b) Basis of presentation

The presentation applied are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This unaudited condensed consolidated first quarterly financial information for the three months ended 30 June 2016 has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by HKICPA.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2016. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statement
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investments Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(b) *New standards, amendments to existing standards and annual improvements that have been issued but not yet effective and have not been early adopted by the Group*

The following new standards, amendments to existing standards and annual improvements have been published but are not yet effective for the three months ended 30 June 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(b) *New standards, amendments to existing standards and annual improvements that have been issued but not yet effective and have not been early adopted by the Group (Continued)*

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial period, as a result, there were changes to presentation and disclosures of certain information in the unaudited consolidated financial statements.

3 SEGMENT INFORMATION

Total revenue recognised during the respective period are as follows:

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Sales of goods	**62,072**	65,886
Servicing	**19**	1,026
	62,091	66,912

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the condensed consolidated income statements.

The Group is principally engaged in the trading and manufacturing of two-way radios, baby monitors and other communication devices and servicing business of the above products.

The executive directors have been identified as the chief operating decision makers. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of two-way radios, baby monitors, and other communication devices and servicing business based on gross profit arising in the course of the ordinary activities which are recurring in nature.

3 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments for the three months ended 30 June 2016 and 30 June 2015 is as follows:

	Two-way radios HK$'000	Baby monitors HK$'000	Service business HK$'000	Other products *(Note (i))* HK$'000	Total HK$'000
For the three months ended 30 June 2016 (Unaudited)					
Total segment revenue (from external customers)	**53,781**	**4,003**	**19**	**4,288**	**62,091**
Segment results for the period	**7,389**	**566**	**10**	**601**	**8,566**
Other segment items:					
Amortisation of intangible assets	**178**	**534**	**—**	**—**	**712**
Depreciation of property, plant and equipment	**711**	**58**	**—**	**59**	**828**
For the three months ended 30 June 2015 (Unaudited)					
Total segment revenue (from external customers)	57,745	4,980	1,026	3,161	66,912
Segment results for the period	9,124	816	982	448	11,370
Other segment items:					
Amortisation of intangible assets	—	646	—	—	646
Depreciation of property, plant and equipment	1,001	91	—	83	1,175

Note (i): Other products include transistors, integrated circuits, plastic casings, rechargeable battery chargers, ultrasonic cleansers, inductive emergency flashlights and accessories such as headsets, belt clips, chargers and power adaptors, etc.

3 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment result to the loss for the respective period is provided as follows:

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Segment results	**8,566**	11,370
Other income/(expenses) — net	**253**	(33)
Other gains/(losses) — net	**389**	(957)
Selling, distribution and administrative expenses	**(10,064)**	(11,643)
Operating loss	**(856)**	(1,263)
Finance income — net	**70**	145
Loss before income tax	**(786)**	(1,118)

3 SEGMENT INFORMATION (CONTINUED)

An analysis of revenue by geographic location, based on shipping destination, is set out below:

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
The United States of America (the "**US**")	**22,559**	27,978
Europe *(Note 1)*	**7,710**	8,450
The Netherlands	**6,667**	3,887
Asia *(Note 2)*	**8,100**	5,840
UK *(Note 3)*	**5,126**	5,081
Germany	**11,494**	12,791
Others *(Note 4)*	**435**	2,885
	62,091	66,912

Note 1: Europe includes but is not limited to France, Italy and Belgium but excludes UK, Germany and the Netherlands.

Note 2: Asia includes but is not limited to the People's Republic of China (the "**PRC**") and Hong Kong.

Note 3: UK — the United Kingdom of Great Britain and Northern Ireland.

Note 4: Others include but is not limited to Brazil, Canada and Russia.

4 OTHER INCOME/(EXPENSES) — NET

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Staff quarter rental income	**23**	14
Loss on disposal of motor vehicles	**—**	(56)
Sale of material	**72**	—
Others	**158**	9
	253	(33)

5 OTHER GAINS/(LOSSES) — NET

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Exchange gains, net	**445**	27
Fair value losses on financial asset at fair value through profit or loss	**(56)**	(984)
	389	(957)

6 EXPENSES BY NATURE

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**27,499**	35,317
Employee benefit expenses	**16,724**	18,496
Subcontracting fees	**9,723**	5,159
Amortisation of intangible assets	**712**	646
Depreciation of property, plant and equipment	**1,025**	1,295
Listing expenses	**—**	4,338
Operating leases		
— Office premises and staff quarters	**426**	322
— Factories	**782**	833
— Plant and machinery	**159**	—

7 INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profit tax (2015: 16.5%) is required as the Group did not generate any assessable profit for the three months ended 30 June 2016. The PRC enterprise income tax is provided at the rate of 25% (2015: 25%) during the three months ended 30 June 2016.

The amount of income tax credit/(expense) charged to the condensed consolidated income statements represents:

	Three month ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax	**162**	(652)

8 LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD — BASIC AND DILUTED

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares, the 14,400 ordinary shares of the Company issued to the Controlling Shareholders during the reorganisation and the additional 259,185,600 shares under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 1 April 2014; and the 5,600 shares issued to Solution Smart Holdings Limited ("**Solution Smart**") and Pacific Able Limited ("**Pacific Able**") during the reorganization and the additional 100,794,400 shares issued under the proposed capitalisation on 16 September 2015 were treated as if they had been in issue since 31 October 2014.

	Three months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK$'000)	**(624)**	(1,770)
Weighted number of ordinary shares in issue ('000)	**480,000**	360,000
Basic loss per share (HK cents per share)	**(0.13)**	(0.49)

(b) Diluted

Diluted loss per share is the same as basic loss per share due to the absence of dilutive potential ordinary shares during the respective periods.

9 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the three months ended 30 June 2016 and 2015.

10 RELATED-PARTY TRANSACTIONS

For the purposes of these condensed consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the three months ended 30 June 2016:

Name of the related party	Relationship with the Group
On Time (HK) Limited	Controlled by Mr. Tam and Mr. Hsu
Shine View Development Limited	Controlled by Mr. Tam and Mr. Hsu
Xinxing On Time Electronics Limited ("**Xinxing On Time**")	Controlled by Mr. Tam and Mr. Hsu
Global Leader Enterprises Limited	Controlled by the sole shareholder of Solution Smart

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the three months ended 30 June 2016.

10 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Rental expenses charged by a related company		
— Xinxing On Time	**294**	305

Certain administrative expenses of the Company incurred during the three months ended 30 June 2016 were borne by On Real Limited, the subsidiary indirectly held by the Company.

(b) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is disclosed as follows:

	Three months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**1,033**	842
Retirement benefit costs	**9**	13
	1,042	855