Third 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

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*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 nine months ended 31 December 2016 amounted to approximately HK$252.5 million, representing an increase of approximately 15.2% as compared with that of approximately HK$219.1 million for the nine months ended 31 December 2015.

- Profit attributable to the owner of the Company for the nine months ended 31 December 2016 amounted to approximately HK$6.0 million compared with loss of approximately HK$4.6 million for the nine months ended 31 December 2015.

- Basic and diluted profit per share for the nine months ended 31 December 2016 amounted to approximately HK cents 0.87 (losses per share for the nine months ended 31 December 2015: HK cents 1.14).

- The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the "**Board**") of the Company is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2016, together with the unaudited comparative figures for the corresponding periods in 2015.

BUSINESS REVIEW

The Group is 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 basis.

The Group's revenue increased from approximately HK$219.1 million for the nine months ended 31 December 2015 to approximately HK$252.5 million for the nine months ended 31 December 2016, representing an increase of approximately 15.2%. The major reason is the Group's revenue of two-way radios for the nine months ended 31 December 2015 decreased significantly. As detailed in the Company's announcement dated 8 January 2016, the reformulation and change of sales strategies of the major customer (the "**Customer**") to license its brand for the consumer two way radios exclusively to licensee and ceased to place orders of consumer two way radios to the Company directly. The Customer started to place the purchase order through the licensee for the three months ended 30 September 2016. The licensee place the purchase more order than the Customer for the nine months ended 31 December 2016 as compared to the corresponding period in 2015.

The Group's revenue of two-way radios increased by approximately 10.5% from approximately HK$194.8 million for the nine months ended 31 December 2015 to approximately HK$215.2 million for the nine months ended 31 December 2016 mainly due to the increase in sales for reason mentioned above. The Group's revenue of baby monitor increased by approximately 66.2% from approximately HK$14.8 million for the nine months ended 31 December 2015 to approximately HK$24.6 million for the nine months ended 31 December 2016 mainly due to the increase in demand of our audio baby monitor products due to traditional seasonal growth of revenue.

The Group's revenue of other products increased by approximately 50.0% from approximately HK$8.4 million for the nine months ended 31 December 2015 to approximately HK$12.6 million for the nine months ended 31 December 2016 mainly due to the increase in sales of materials and parts to customers in the People's Republic of China (the "**PRC**").

The following tables set forth the breakdowns of the turnover of the Group by product categories for each of the nine months ended 31 December 2016 and 2015:

	Three months ended 31 December					
	2016		2015		**Increase (Decrease)**	
	HK$'000	**%**	HK$'000	%	HK$'000	%
	(Unaudited)		(Unaudited)			
Two-way radio	**80,518**	**82.4**	54,503	91.3	26,015	47.7
Baby monitors	**14,716**	**15.0**	4,189	7.0	10,527	251.3
Service business	**21**	**0.0**	45	0.1	(24)	(53.3)
Other products	**2,575**	**2.6**	955	1.6	1,620	169.6
Total	**97,830**	**100**	59,692	100	38,138	63.9

	Nine months ended 31 December					
	2016		2015		**Increase (Decrease)**	
	HK$'000	**%**	HK$'000	%	HK$'000	%
	(Unaudited)		(Unaudited)			
Two-way radio	**215,246**	**85.2**	194,807	88.9	20,439	10.5
Baby monitors	**24,596**	**9.7**	14,817	6.8	9,779	66.0
Service business	**64**	**0.0**	1,071	0.5	(1,007)	(94.0)
Other products	**12,625**	**5.0**	8,365	3.8	4,260	50.9
Total	**252,531**	**100**	219,060	100	33,471	15.3

OUTLOOK

Our business objectives are to grow our existing business, diversify our revenue streams and expand our customer base by expanding product offerings and features, improving information technology system and strengthening management and widening sales channel. The management is seeking the opportunity to cooperate with other company for business development.

As detailed in the Company's voluntary announcement dated 20 January 2017, the Company and Veivo Technology Limited ("**Veivo**") entered into a strategic alliance agreement in relation to future possible commercial collaborations between the Company and Veivo. The formation of the alliance does not incur any fees or costs to be borne by either party. The cooperation is subject to further negotiation between the Company and Veivo. Veivo is a software development company whose principal activities are mobile cloud social media software development and instant messaging network operation. The Board expected that the cooperation with Veivo may have benefit to the Company in the area of the Internet of Things. In order to maintain a stable growth, the Company is considering to develop a new business segment focusing on mobile application and cloud computing to obtain higher margin.

We will also consider to improve the production procedure to maintain the Company continuing growth.

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 14 new project awards from our customers including digital two-way radio, waterproof high-end two-way radio, traditional two-way radios, high-end digital video baby monitors with touch screen colour display and pan/tilt/zoom features and digital video baby monitors that supports multi-camera features.

Below are the progress of the 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 connectivity. The high-end commercial digital two-way radio had already launched in the nine months ended 31 December 2016. The high-end marine two-way radio and digital analog two-way radio, new series of baby monitor products and the new video baby monitor products are expected to be launched in early of 2017 respectively. For high-end video baby monitor, its features include large size colour LCD display with touch screen, pan/tilt/zoom features, temperature sensor, support multi-camera, infra-red night vision and parent talk back. In addition, the Group is going to develop 3D car camera system for helping the driver to park and drive the car to avoid blind spot in a safety way.

ii) Enhance our information management system: We have started the feasibility evaluation of our information management system and the enhancement program will be started in early of 2017.

iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels and strengthen the presence in The United States of America (the "**US**") and 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.

In additional to the objectives and strategies as disclosed in Prospectus, we are consolidating our manufacturing sites to a single vertically integrated factory campus at Yunfu. The production facilities and equipment at our Shenzhen factory have been moved to Yunfu factory campus. After 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 resumed. We may reap improved future efficiencies from consolidated operations as well as sub-contracting the low margin procedure, and a lower cost structure there. It is the Company's continuous effort to maintain low overhead costs, and by reducing our own in house production; and increasing outsourcing to PRC manufacturing factories, the Company is able to enhance its flexibility and maintained a costs control. The Company will continue to outsource more products in the future.

PROSPECT

The Group will continue to put effort in developing new models of our products which is expected to bring growth potential for revenue to the Group and returns to the shareholders of the Company.

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost and subcontracting fees. The cost of sales increased by approximately 16.9% from approximately HK$182.7 million for the nine months ended 31 December 2015 to approximately HK$213.6 million for the nine months ended 31 December 2016, which is in line with the decrease in revenue. The gross profit margin decreased from approximately 16.6% for the nine months ended 31 December 2015 to approximately 15.4% for the nine months ended 31 December 2016, mainly due to the increase in sales of lower margin products ("other products" in market segment) comparing with other business segments, which in turns drag down the entire profit margin of the Group.

Selling and distribution expenses

The selling and distribution expenses decreased from approximately HK$4.6 million for the nine months ended 31 December 2015 to approximately HK$3.4 million for the nine months ended 31 December 2016, which was mainly due to decrease in transportation and entertainment in the nine months ended 31 December 2016.

Administrative Expenses

The administrative expenses decreased from approximately HK$37.8 million for the nine months ended 31 December 2015 to approximately HK$29.3 million for the nine months ended 31 December 2016, which was mainly due to no listing expenses incurred in the nine months ended 31 December 2016.

Profit attributable to the owners of the Company

The Group posted a profit of HK$6.0 million for the nine months ended 31 December 2016, compared to loss of HK$4.6 million for the nine months ended 31 December 2015 due primarily to the increase in Group revenue and gross profit, as well as no listing expenses incurred in the nine months ended 31 December 2016.

Dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016.

Use of Proceeds from the Listing

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 31 December 2016, the unused proceeds of approximately HK$21.1 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 nine months ended 31 December 2016, the net proceeds had been utilized as follows:

	Actual net proceeds HK$ Million	**Amount utilised up to 31 December 2016** HK$ Million	**Balance as at 31 December 2016** HK$ Million
Strengthen our product portfolio	21.7	5.2	16.5
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	1.9	2.1
Working capital and other general corporate purposes	2.8	2.7	0.1
Total	30.9	9.8	21.1

OTHER INFORMATION

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

At 31 December 2016, Mr. Tam Wing Ki ("**Mr. Tam**"), the Director, chairman and chief executive officer 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 *(Note 1, 2)*	Percentage of shareholding
Mr. Tam Wing Ki *(Note 3, 4 and 5)*	the Company	Beneficial owner	1,243,680,000	32.39%

Notes:

1. All interests stated above represent long positions.

2. The share subdivision of each issued and unissued ordinary share of HK$0.01 each in the share capital the Company into eight (8) ordinary shares of HK$0.00125 each was effective on 15 December 2016 as disclosed in the poll result of the EGM announcement of the Company dated 14 December 2016.

3. The Company was notified that Mr. Tam, who is an executive Director and chief executive officer of the Company, disposed 24,000,000 Shares of the Company to Solution Smart on 7 October 2016 and Mr. Tam has a personal interest of 155,460,000 Shares, representing 32.39% of the issued share capital of the Company. After the Share Subdivision, as at the date of this report, Mr. Tam has a personal interest of 1,243,680,000 Shares, representing 32.39% of the issued share capital of the Company.

4. On 3 January 2017, the Company was notified that 898,176,000 Shares was transferred from Mr. Tam to SMK Investment Company Limited, a company wholly owned by Mr. Tam. As a result, as at the date of this report, Mr. Tam is deemed to have interest in 898,176,000 held by SMK Investment Company Limited and Ms. Tang Yin Ping is deemed to be interested in 898,176,000 Shares held by Mr. Tam for the purpose of SFO.

5. The Company was notified that Mr. Tam has disposed of 345,504,000 ordinary shares of HK$0.00125 each in the share capital of the Company on 9 January 2017. Mr. Tam and his associates cease to be the controlling shareholder (as defined in the GEM Listing Rules) of the Company.

During the nine months ended 31 December 2016, there were no debt securities issued by the Group at any time. Save as disclosed herein, as at 31 December 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 Rules Governing the Listing of Securities on 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 31 December 2016, the following shareholders had interests in the shares or underlying shares of the Company and its as associated corporations within the meaning of Part XV of the SFO 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** *(Note 1)*	**Percentage of shareholding**
Mr. Tam Wing Ki *(Note 2, 3 and 4)*	Beneficial owner	1,243,680,000	32.39%
Ms. Tang Yin Ping *(Note 5)*	Interest of spouse/interest of a substantial shareholder's spouse	1,243,680,000	32.39%
Solution Smart Holdings Limited *(Note 2 and 6)*	Beneficial owner	1,060,896,000	27.63%
SW Venture Asia Limited *(Note 6 and 7)*	Interest in a controlled corporation	1,060,896,000	27.63%
Mr. Yeung Shing Wai *(Note 7)*	Interest in a controlled corporation	1,060,896,000	27.63%
Huge China Holdings Limited	Beneficial owner	212,160,000	5.49%

Notes:

1. The share subdivision ("**Share Subdivision**") of each issued and unissued ordinary share of HK$0.01 each in the share capital the Company into eight (8) ordinary shares of HK$0.00125 each was effective on 15 December 2016 as disclosed in the poll result of the EGM announcement of the Company dated 14 December 2016.

2. The Company was notified that Mr. Tam, who is an executive Director and chief executive officer of the Company, disposed 24,000,000 Shares of the Company to Solution Smart on 7 October 2016 and Mr. Tam has a personal interest of 155,460,000 Shares, representing 32.39% of the issued share capital of the Company. After the Share Subdivision, Mr. Tam has a personal interest of 1,243,680,000 Shares, representing 32.39% of the issued share capital of the Company. Mr. Tam has on 9 January 2017 disposed of 345,504,000 ordinary shares of HK$0.00125 each in the share capital of the Company. Mr. Tam and his associates cease to be the controlling shareholder (as defined in the GEM Listing Rules) of the Company.

3. On 3 January 2017, The Company was notified that 898,176,000 Shares was transferred from Mr. Tam to SMK Investment Company Limited, a company wholly owned by Mr. Tam. As a result, as at the date of this report, Mr. Tam is deemed to have interest in 898,176,000 held by SMK Investment Company Limited and Ms. Tang Yin Ping is deemed to be interested in 898,176,000 Shares held by Mr. Tam for the purpose of SFO.

4. The Company was notified that Mr. Tam has disposed of 345,504,000 ordinary shares of HK$0.00125 each in the share capital of the Company on 9 January 2017. Mr. Tam and his associates cease to be the controlling shareholder (as defined in the GEM Listing Rules) of the Company.

5. As at 31 December 2016, Ms. Tang Yin Ping, spouse of Mr. Tam, was deemed to be interested in 1,243,680,000 Shares in which Mr. Tam was interested in for the purpose of the SFO. As at the date of this report, Ms. Tang Yin Ping is deemed to be interested in 898,176,000 Shares in which Mr. Tam was interested in for the purpose of the SFO.

6. Solution Smart is an investment holding company which is wholly and beneficially owned by SW Venture Asia Limited. The Company was notified that Solution Smart acquired 24,000,000 Shares of the Company from Mr. Tam on 7 October 2016 and Solution Smart is interested in 132,612,000 Shares, representing 27.63% of the issued share capital of the Company. After the Share Subdivision, as at the date of this report, Solution Smart is interested in 1,060,896,000 Shares, representing 27.63% of the issued share capital of the Company.

7. Mr. Yeung Shing Wai is the sole beneficial owner of SW Venture Asia Limited, which directly held 1,060,896,000 Shares of the Company, and has therefore deemed to have an interest in the Shares held by Solution Smart.

8. 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 nine months ended 31 December 2016.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the nine months ended 31 December 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.

In order to restrict competition activities with the Company, each of the Controlling Shareholders entered into a deed of non-competition (the "**Deed**") with the Company (for itself and as trustee and on behalf of its subsidiaries and associated companies, from time to time) on 16 September 2015. The independent non-executive Directors had reviewed the non-competition covenants and undertakings in the Deed as part of its review process.

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 nine months ended 31 December 2016. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the nine months ended 31 December 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 nine months ended 31 December 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.

Except for the deviation from the CG Code as set out above, the Company fully complied with all the Code Provisions throughout the nine months ended 31 December 2016.

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 nine months ended 31 December 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 nine months ended 31 December 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 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 Scheme is adopted, after which period no further share options will be granted but the provisions of the Scheme shall in all other respects remain in full force and effect and share options which are granted during the life of the 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 Prospectus. 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 31 December 2016.

AUDIT COMMITTEE

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

The unaudited interim financial results of the Group for the nine months ended 31 December 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, 10 February 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2016

The Board is pleased to announce the unaudited consolidated results of the Group for the nine months ended 31 December 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 31 December		**Nine months ended 31 December**	
	Note	**2016** **HK$'000** **(Unaudited)**	2015 HK$'000 (Unaudited)	**2016** **HK$'000** **(Unaudited)**	2015 HK$'000 (Unaudited)
Revenue		**97,830**	59,692	**252,531**	219,060
Cost of sales	6	**(81,419)**	(50,641)	**(213,605)**	(182,706)
Gross profit		**16,411**	9,051	**38,926**	36,354
Other income — net	4	**231**	1.441	**1,065**	1,553
Other gains — net	5	**31**	1,278	**332**	1,445
Selling and distribution expenses	6	**(1,384)**	(2,752)	**(3,361)**	(4,640)
Administrative expenses	6	**(9,724)**	(14,564)	**(29,277)**	(37,791)
Operating profit/(loss)		**5,565**	(5,546)	**7,685**	(3,079)
Finance income	7	**180**	248	**580**	1,490
Finance costs	7	**(316)**	(260)	**(689)**	(1,073)
Finance (costs)/income — net		**(136)**	(12)	**(109)**	417
Profit/(loss) before income tax		**5,429**	(5,558)	**7,576**	(2,662)
Income tax (expense)/credit	8	**(1,121)**	470	**(1,564)**	(1,919)
Profit/(loss) for the period attributable to the owners of the Company		**4,308**	(5,088)	**6,012**	(4,581)
Earnings/(loss) per share attributable to owners of the Company for the period — Basic and diluted (expressed in HK cents per share)	9	**0.39**	(1.06)	**0.87**	(1.14)
Dividends	10	**—**	—	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	Three months ended 31 December		**Nine months ended 31 December**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit/(loss) for the period	**4,308**	(5,088)	**6,012**	(4,581)
Other comprehensive income:				
Currency translation differences	**610**	423	**(218)**	(10)
Other comprehensive income for the period, net of tax	**610**	423	**(218)**	(10)
Total comprehensive income for the period attributable to owners of the Company	**4,918**	(4,665)	**5,794**	(4,591)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Attributable to owners of the Company						
	Share Capital	**Share Premium**	**Capital Reserve**	**PRC Statutory Reserve**	**Exchange Reserve**	**(Accumulated losses)/ Retained earnings**	**Total Equity**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Balance at 1 April 2016 (Audited)	**4,800**	**75,468**	**(5,826)**	**3,971**	**3,986**	**(12,355)**	**70,044**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**6,012**	**6,012**
Other comprehensive income							
Currency translation differences	**—**	**—**	**—**	**(272)**	**(2,119)**	**(218)**	**(2,609)**
Total comprehensive (loss)/income	**—**	**—**	**—**	**(272)**	**(2,119)**	**5,794**	**3,403**
Balance at 31 December 2016 (Unaudited)	**4,800**	**75,468**	**(5,826)**	**3,699**	**1,867**	**(6,561)**	**73,447**

	Attributable to owners of the Company						
	Share Capital	Share Premium	Capital Reserve	PRC Statutory Reserve	Exchange Reserve	(Accumulated losses)/ Retained earnings	Total Equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2015 (Audited)	—	22,126	(5,826)	3,182	3,347	3,431	26,260
Loss for the period	—	—	—	—	—	(4,581)	(4,581)
Other comprehensive income							
Currency translation differences	—	—	—	—	(10)	—	(10)
Total other comprehensive income, net of tax	—	—	—	—	(10)	—	(10)
Total comprehensive income	—	—	—	—	(10)	(4,581)	(4,591)
Total contribution from and distribute to owners of the Company, recognized directly in equity							
Capitalisation of shares	3,600	(3,600)	—	—	—	—	—
Issue of shares upon placing, net of share issuing expenses	1,200	56,942	—	—	—	—	58,142
Total transactions with owners in their capacity as owners	4,800	53,342	—	—	—	—	58,142
Balance at 31 December 2015 (Unaudited)	4,800	75,468	(5,826)	3,182	3,337	(1,150)	79,811

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, P.O. 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 shareholder of the Company is Mr. Tam until 9 January 2017.

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 nine months ended 31 December 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.

2 BASIC OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 nine months ended 31 December 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

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 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of goods	**97,809**	59,647	**252,467**	217,989
Sales of service	**21**	45	**64**	1,071
	97,830	59,692	**252,531**	219,060

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 nine months ended 31 December 2016 and 31 December 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 nine months ended 31 December 2016 (Unaudited)					
Total segment revenue (from external customers)	**215,246**	**24,596**	**64**	**12,625**	**252,531**
Segment results for the period	**33,529**	**3,432**	**(7)**	**1,972**	**38,926**
Other segment items:					
Amortisation of intangible assets	**481**	**1,442**	**—**	**—**	**1,923**
Depreciation of property, plant and equipment	**2,256**	**152**	**—**	**66**	**2,474**
For the nine months ended 31 December 2015 (Unaudited)					
Total segment revenue (from external customers)	194,807	14,817	1,071	8,365	219,060
Segment results for the period	31,458	2,517	1,002	1,377	36,354
Other segment items:					
Amortisation of intangible assets	439	1,316	—	—	1,755
Depreciation of property, plant and equipment	2,689	232	—	114	3,035

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 profit/(loss) for the respective period is provided as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment results	**16,411**	9,051	**38,926**	36,354
Other income — net	**231**	1,441	**1,065**	1,553
Other gains — net	**31**	1,278	**332**	1,445
Selling, distribution and administrative expenses	**(11,108)**	(17,316)	**(32,638)**	(42,431)
Operating profit/(loss)	**5,565**	(5,546)	**7,685**	(3,079)
Finance (costs)/income — net	**(136)**	(12)	**(109)**	417
Profit/(loss) before income tax	**5,429**	(5,558)	**7,576**	(2,662)

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

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
US	**27,884**	14,423	**92,094**	79,442
Europe *(Note 1)*	**11,703**	8,894	**25,847**	32,590
The Netherlands	**9,126**	7,697	**21,762**	16,779
Asia *(Note 2)*	**22,825**	8,582	**41,738**	23,570
UK *(Note 3)*	**6,330**	5,581	**21,297**	19,063
Germany	**19,031**	14,412	**44,113**	39,490
Others *(Note 4)*	**931**	103	**5,680**	8,126
	97,830	59,692	**252,531**	219,060

3 SEGMENT INFORMATION (CONTINUED)

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. Following Russia's military intervention in Ukraine in 2014, the United States, the European Union and Australia have put in place certain economic or trade sanctions against, among others, certain named Russian individuals and entities. To control and monitor our business exposure to sanction risk, the Company endeavor to continuously monitor and evaluate our business and take measure to protect the interest of the Group and Shareholders. The policy had been stated in the Company's clarification announcement dated 6 January 2017.

4 OTHER INCOME — NET

	Three months ended 31 December		**Nine months ended 31 December**	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)	**2016 HK$'000 (Unaudited)**	2015 HK$'000 (Unaudited)
Staff quarter rental income	**26**	15	**78**	45
(Loss)/gain on disposal of property, plant and equipment	**(9)**	—	**269**	(56)
Obsolete stock compensation	**–**	763	**26**	763
Machine rental income	**72**	—	**149**	—
PRC Advanced Technology Subsidy	**–**	125	**–**	125
Others	**142**	538	**543**	676
	231	1,441	**1,065**	1,553

5 OTHER GAINS — NET

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Exchange gains, net	**89**	1,713	**503**	2,710
Fair value losses on financial asset at fair value through profit or loss	**(58)**	(435)	**(171)**	(1,265)
	31	1,278	**332**	1,445

6 EXPENSES BY NATURE

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Cost of inventories recognised as expenses	**50,029**	26,960	**121,634**	110,185
Employee benefit expenses	**13,922**	18,373	**46,033**	52,601
Subcontracting fees	**16,859**	2,929	**46,719**	17,432
Amortisation of intangible assets	**500**	706	**1,923**	2,097
Depreciation of property, plant and equipment	**964**	1,121	**3,046**	3,400
Provision for inventories	**—**	—	**608**	—
Listing expenses	**—**	—	**—**	8,676
Other expenses	**10,253**	17,868	**26,280**	30,746
	92,527	67,957	**246,243**	225,137
Representing:				
Cost of sales	**81,419**	50,641	**213,605**	182,706
Selling and distribution expenses	**1,384**	2,752	**3,361**	4,640
Administrative expenses	**9,724**	14,564	**29,277**	37,791
	92,527	67,957	**246,243**	225,137

7 FINANCE (COSTS)/INCOME — NET

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest expense on bank borrowings				
— Repayable within 5 years	**(316)**	(256)	**(689)**	(1,056)
Interest expenses on finance leases	**–**	(4)	**–**	(17)
Finance costs	**(316)**	(260)	**(689)**	(1,073)
Interest income from bank deposits	**19**	29	**67**	95
Interest income from financial asset at fair value through profit or loss	**90**	88	**269**	261
Other interest income	**71**	131	**244**	1,134
Finance income	**180**	248	**580**	1,490
Finance (costs)/income — nets	**(136)**	(12)	**(109)**	417

8 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profit tax (2015: 16.5%) is required as the Group did not generate any assessable profit for the nine months ended 31 December 2016. The PRC enterprise income tax is provided at the rate of 25% (2015: 25%) during the nine months ended 31 December 2016.

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

	Three months ended 31 December		**Nine months ended 31 December**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current income tax	**(1,121)**	470	**(1,564)**	(1,919)
Income tax (expense)/credit	**(1,121)**	470	**(1,564)**	(1,919)

9 EARNINGS/(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.

The share subdivision of each issued and unissued ordinary share of HK$0.01 each in the share capital the Company into eight (8) ordinary shares of HK$0.00125 each was effective on 15 December 2016 as disclosed in the poll result of the EGM announcement of the Company dated 14 December 2016.

	Three months ended 31 December		**Nine months ended 31 December**	
	2016 (Unaudited)	2015 (Unaudited)	**2016 (Unaudited)**	2015 (Unaudited)
Profit/(loss) attributable to owners of the Company *(HK$'000)*	**4,308**	(5,088)	**6,012**	(4,581)
Weighted number of ordinary shares in issue *('000)*	**1,100,870**	480,000	**687,709**	400,582
Basic earnings/(loss) per share *(HK cents per share)*	**0.39**	(1.06)	**0.87**	(1.14)

9 EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD — BASIC AND DILUTED (CONTINUED)

(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.

10 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the nine months ended 31 December 2016 and 2015.

11 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 nine months ended 31 December 2016:

Name of the related party	Relationship with the Group
Xinxing On Time Electronics Limited ("**Xinxing On Time**")	Controlled by Mr. Tam and Mr. Hsu

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 nine months ended 31 December 2016.

11 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Rental expenses charged by a related company — Xinxing On Time	**264**	305	**852**	916

Certain administrative expenses of the Company incurred during the nine months ended 31 December 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 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Wages, salaries and allowances	**1,183**	1,310	**3,270**	2,994
Bonus	**—**	818	**—**	818
Retirement benefit costs	**20**	14	**38**	41
	1,203	2,142	**3,308**	3,853