On Real

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

Annual Report
2017/18

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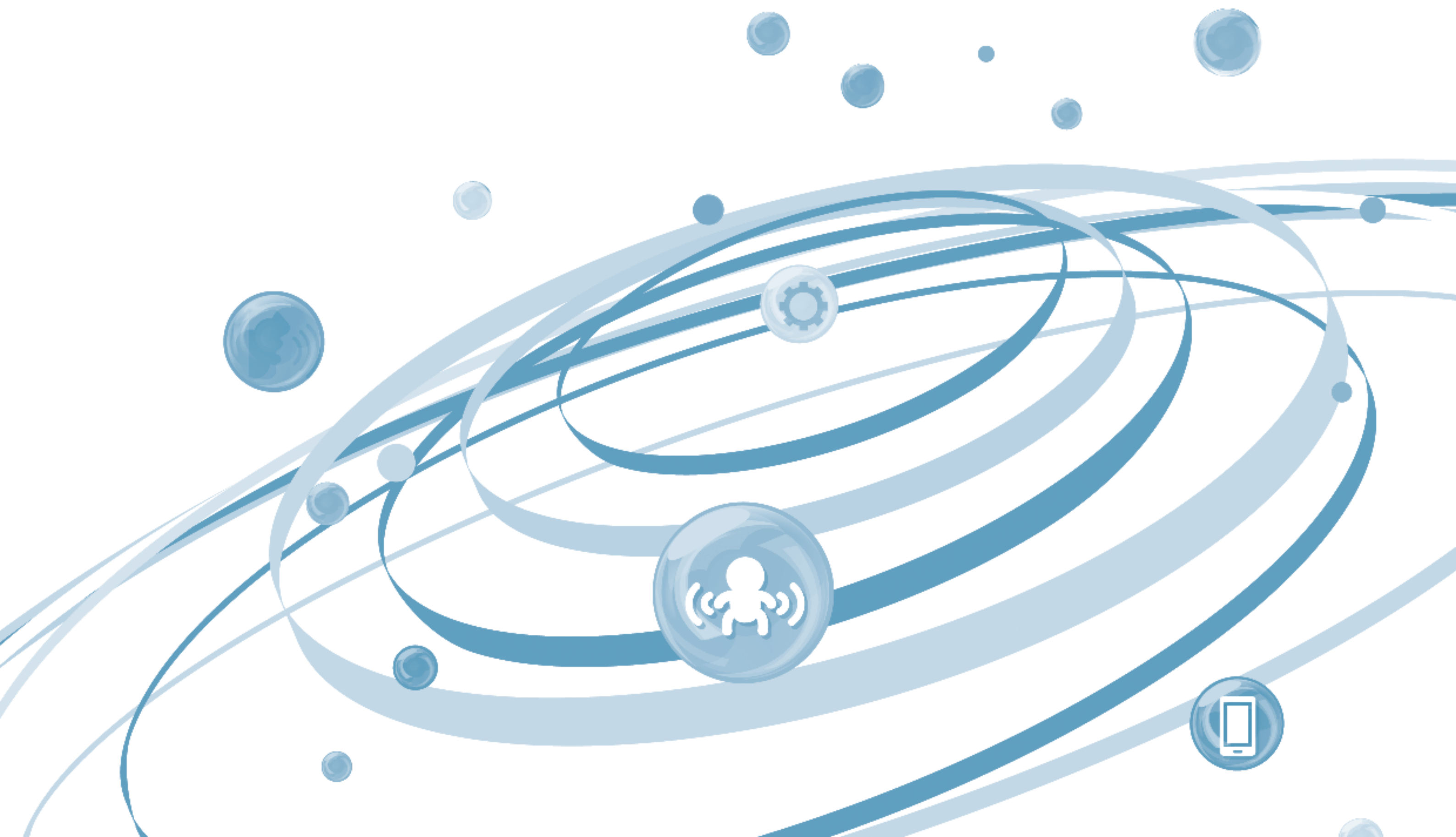
*This report, for which the directors (the "**Directors**") of On Real International Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange 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.*



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Tam Wing Ki
(Chairman and Chief Executive Officer)
Mr. Gao Hong
(Vice chairman, appointed on 7 April 2017)
Mr. Fu Yan Ming
Mr. Kwok Ming Fai
Mr. Tao Hong Ming
(Resigned on 1 September 2017)

Independent Non-executive Directors:

Mr. Chan Shiu Man
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*
Mr. Fung Chan Man, Alex
(Appointed on 31 July 2017)
Mr. Wong Ching Wan

AUDIT COMMITTEE

Mr. Wong Ching Wan *(Chairman)*
Mr. Chan Shiu Man
Mr. Fung Chan Man, Alex
(Appointed on 31 July 2017)
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*

REMUNERATION COMMITTEE

Mr. Fung Chan Man *(Chairman)*
(Appointed on 31 July 2017)
Mr. Chan Shiu Man
Mr. Wong Ching Wan
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*
Mr. Tao Hong Ming *(Resigned on 1 September 2017)*

NOMINATION COMMITTEE

Mr. Tam Wing Ki *(Chairman)*
Mr. Chan Shiu Man
Mr. Wong China Wan
Mr. Fung Chan Man Alex
(Appointed on 31 July 2017)
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*

COMPANY SECRETARY

Mr. Au Yeung Ming Yin Gordon
(Appointed on 15 August 2017)
Mr. Chan Koon Fat *(Resigned on 15 August 2017)*

COMPLIANCE OFFICER

Mr. Kwok Ming Fai
(Appointed on 1 September 2017)
Mr. Tao Hong Ming *(Resigned on 1 September 2017)*

AUTHORISED REPRESENTATIVES

Mr. Kwok Ming Fai
(Appointed on 1 September 2017)
Mr. Au Yeung Ming Yin Gordon
(Appointed on 15 August 2017)
Mr. Chan Koon Fat *(Resigned on 15 August 2017)*
Mr. Tao Hong Ming
(Resigned on 1 September 2017)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office C, 27/F., Billion Plaza 2,
10 Cheung Yue Street,
Kowloon, Hong Kong (Since 5 March 2018)

Shop Space No. 66, Ground Floor,
Blocks 7–14 City Garden,
No. 233 Electric Road, Hong Kong
(Up to 5 March 2018)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.,
148 Electric Road, North Point,
Hong Kong (Since 20 November 2017)

31/F, 148 Electric Road
North Point, Hong Kong (Up to 20 November 2017)

COMPLIANCE ADVISER

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

STOCK CODE

8245

COMPANY'S WEBSITE

www.on-real.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of Directors (the "**Board**") of On Real International Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**"), I am pleased to present to our shareholders the audited annual report of the Group for the financial year ended 31 March 2018 (hereafter referred as the "**Financial Year**").

OVERVIEW

During the Financial Year, the macroeconomic and geopolitical environment were full of turbulence due to outbreak of several unexpected events. The president of the United States of America (the "**US**") announced to place tariff on imports of steel and on aluminum. European Union and China are planning to levy tariffs on imports of some US products in response to the US action, those events could trigger trade war among the world. With anti-globalisation and anti-free trade sentiment on the rise, the prospective US interest rate hikes and concerns over currency stability, the global economic outlook clouded over.

The Directors have been continuously evaluating the current business strategies of the Group with an aim to streamline its business and improve its overall performance. The Group has continuously focusing on research and development of products and strength its products portfolio, to enhance the information and management system, and to strengthen its marketing efforts. The Group is proceeding cost migration of our fixed overhead in manufacturing into a variable costs in order to increase the flexibility of operation the business.

MAJOR CORPORATE EVENTS

On 11 December 2017, On Real Limited (as vendor), an indirect wholly-owned subsidiary of the Company, and Smart Tech Development Limited (as purchaser) entered into a disposal agreement (the "**Disposal Agreement**"), pursuant to which On Real Limited has conditionally agreed to sell and Smart Tech Development Limited has conditionally agreed to purchase the entire issued share capital in Onward Technology Development Limited, an indirect wholly-owned subsidiary of the Company, at a total consideration of HK$9.5 million (the "**Disposal**").

The Disposal is a step to achieve the cost restructuring plan of the Group and to reduce the costs of production and contingent liabilities for the labour cost.

Completion of the Disposal is subject to fulfillment or waiver (as the case may be) of the conditions precedent under the Disposal Agreement shall be satisfied on or before 30 June 2018, therefore the Disposal may or may not proceed. Details of the Disposal were set out in the Company's announcement dated 11 December 2017 and the Company will issue announcement for updates on the Disposal.

PROSPECT

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.

In coming year, the Group is expecting to deploy more subcontracting arrangement to enhance the flexibility in terms of fixed cost commitment. The subcontracting arrangement may shift outside the People's Republic of China (the "**PRC**") to diversify the production processes and fulfill the requirement from the customers.

The Group will continue to put effort in developing new models of our products, and aim to streamline the business and improve overall performance of the Group which are expected to bring growth potential for revenue to the Group and returns to the shareholders of the Company. The Group will be looking at enhancing our business revenue and profitability by introducing new product categories and/or leverage our research and development capability to provide design engineering service to our customers.

Our gross margin and the profitability has been impacted by the exchange rate fluctuation and raw material increment in the financial year. To improve the profitability and compensate the exposure, we have been adjusting our pricing strategy to our customers and our material vendors and expecting some improvement in the coming year.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all shareholders, investors and business partners for their continuous support to the Group. I would also like to express my appreciation to all fellow Directors, management and staff for their contributions to achieve the major milestones of the Group to date.

Tam Wing Ki
Chairman and Chief Executive Officer

Hong Kong
25 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 continuing to develop new high-end two-way radio and baby monitor products with new features and technologies. The high-end commercial two-way radio for European market was launched in third quarter of 2017. A new series of analog radio with new outlook has been launched by the end of 2017. Another high-end marine two-way radio is expected to be launched in the coming year. We are also looking at enhancing our business revenue and profitability by introducing new product categories and/or leverage our research and development capability to provide design engineering service to our customers.

(ii) Enhance our information management system: We will keep evaluating our information management system, upon the market condition, we will target to improve our information system and procedure to cope with the communication between our customers and suppliers.

(iii) Strengthen our marketing efforts: we continue to maintain our market presence and expand our sales channels with both current and new potential customers globally by introducing new products.

In additional to the objectives and strategies as disclosed in Prospectus, we are proceeding costs migration of our fixed overhead in manufacturing into a variable costs in order to increase the flexibility of operation the business.

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 March 2018, the unused proceeds of approximately HK$9.9 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.

From the listing date of the Company to 31 March 2018, the net proceeds had been utilized as follows:

	Actual net proceeds allocated	Amount utilized up to 31 March 2018	Balance as at 31 March 2018
	HK$ Million	HK$ Million	HK$ Million
Strengthen our product portfolio	21.7	14.3	7.4
Enhance our information management systems	2.4	—	2.4
Strengthen our marketing efforts	4.0	4.0	—
Working capital and other general corporate purposes	2.8	2.7	0.1
	30.9	21.0	9.9

In additional to the objectives and strategies as disclosed in the Prospectus, it is the Company's continuous effort to maintain low overhead costs, and by reducing our own in-house production; and increasing outsourcing to some PRC and overseas subcontractors, the Company is able to enhance its flexibility and maintained a cost control. The Company will assess the feasibility to outsource more production in the future.

BUSINESS REVIEW

The Group is a two-way radio product designer and manufacturer established in 2001. We derive revenue principally from designing, manufacturing and selling two-way radios and baby monitor products on original design manufacturing basis.

The Group's revenue decreased from approximately HK$327.6 million for the year ended 31 March 2017 to approximately HK$297.1 million for the year ended 31 March 2018, representing a decrease of approximately 9.3%. The major reason is the decrease of the Group's revenue of two-way radios and baby monitors for the year ended 31 March 2018. Such decrease was mainly due to the drop of number of purchase orders from two major customers during the year ended 31 March 2018.

The Group's revenue of two-way radios decreased by approximately 15.9% from approximately HK$268.6 million for the year ended 31 March 2017 to approximately HK$225.9 million for the year ended 31 March 2018 mainly due to the decrease in demand from our customers.

The Group's revenue of baby monitor significantly decreased by approximately 31.9% from approximately HK$43.1 million for the year ended 31 March 2017 to approximately HK$29.4 million for the year ended 31 March 2018 mainly due to the decrease in demand of our audio baby monitor products.

The Group's revenue of services business significantly increased by approximately 67.9 times from approximately HK$103 thousand for the year ended 31 March 2017 to approximately HK$7.1 million for the year ended 31 March 2018 mainly due to the increase in the provision of electric manufacturing servicing business.

The Group's revenue of other products significantly increased by approximately 119.4% from approximately HK$15.9 million for the year ended 31 March 2017 to approximately HK$34.8 million for the year ended 31 March 2018 mainly due to the increase in sales of materials and parts to customers in the People's Republic of China (the "**PRC**").

The following table sets forth the breakdown of the revenue of the Group by product/service categories for each of the year ended 31 March 2018 and 2017:

	For the year ended 31 March					
	2018		2017		Increase (Decrease)	
	HK$'000	**%**	HK$'000	%	HK$'000	%
Two-way radio	**225,866**	**76.0**	268,581	82.0	(42,715)	(15.9)
Baby monitors	**29,356**	**9.9**	43,084	13.1	(13,728)	(31.9)
Service business	**7,094**	**2.4**	103	0.0	6,991	6,787.4
Other products	**34,815**	**11.7**	15,869	4.9	18,946	119.4
Total	**297,131**	**100.0**	327,637	100.0	(30,506)	(9.3)

FINANCIAL REVIEW

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised of raw material cost, direct labour costs and subcontracting fees. The cost of sales decreased by approximately 4.4% from approximately HK$279.1 million for the year ended 31 March 2017 to approximately HK$266.8 million for the year ended 31 March 2018, which is in line with the decrease in revenue. The gross profit margin decreased from approximately 14.8% for the year ended 31 March 2017 to approximately 10.2% for the year ended 31 March 2018, mainly due to the increase in raw material costs and the increase in sales of lower margin products ("**other products**" in market segment) comparing with other product categories 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$4.3 million for the year ended 31 March 2017 to approximately HK$3.9 million for the year ended 31 March 2018, which was mainly due to marketing and promotion expenses for new sales and distribution network's setup fee in North America incurred in the year ended 31 March 2017.

Administrative Expenses

The administrative expenses decreased from approximately HK$38.2 million for the year ended 31 March 2017 to approximately HK$32.6 million for the year ended 31 March 2018, which was mainly due to the costs optimization.

Profit attributable to the owners of the Company

The Group recorded a profit of HK$0.9 million for the year ended 31 March 2018, compared to profit of HK$4.3 million for the year ended 31 March 2017 due primarily to the decrease in Group revenue and gross profit.

Dividends

The Board does not recommend the payment of a dividend for the year ended 31 March 2018.

Significant Investments held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

A proposed disposal as disclosed in this report in chairman's statement and the details were set out in the Company's announcement dated 11 December 2017. Completion of the Disposal is subject to fulfillment or waiver (as the case may be) of the conditions precedent under the Disposal Agreement, therefore the Disposal may or may not proceed. Save for the proposed Disposal, there were neither significant investments held as at 31 March 2018 nor material acquisitions and disposals of subsidiaries during the year ended 31 March 2018. Save for the business plan and the capital commitments as disclosed in this report, there is no plan for material investment or capital assets as at 31 March 2018.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its clients and credit review of the Group's loan portfolio. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Employees and remuneration policies

As at 31 March 2018, the Group had a total of 380 staff (2017: 510). Total staff costs (including Directors' emoluments) were approximately HK$39.0 million for the year ended 31 March 2018 (2017: approximately HK$59.5 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus will be paid to employees as recognition of and reward for their contributions according to individual performance. Other benefits include share option scheme, contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

Liquidity and financial resources

As at 31 March 2018, the Group's cash and cash equivalents amounted to approximately HK$29.7 million, representing a decrease of approximately HK$6.9 million as compared to that of approximately HK$36.6 million as at 31 March 2017. Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. As of 31 March 2018, we had various bank borrowings and overdrafts of approximately HK$36.6 million, including factoring loan for trade receivables (as at 31 March 2017: approximately HK$45.2 million), representing a decrease of approximately HK$8.6 million as compared to that as at 31 March 2017.

Net current assets increased from approximately HK$44.6 million for the year ended 31 March 2017 to approximately HK$54.2 million for the year ended 31 March 2018, which was in relation to the drop of bank borrowings and trade and other payables.

The Company requires cash primarily for working capital need. As of 31 March 2018, the Company had approximately HK$29.7 million in cash and bank balances (as at 31 March 2017: approximately HK$36.6 million), representing a decrease of approximately HK$6.9 million as compared to that as at 31 March 2017.

Gearing Ratio

As at 31 March 2018, the gearing ratio of the Group was approximately 61.3% (as at 31 March 2017: approximately 63.0%). The gearing ratio is calculated based on the total borrowings divided by the total equity at the end of the period. The decrease of the gearing ratio was mainly attributable to decreasing bank loan, borrowings for bills payable and factoring loan to support the Company's working capital.

Contingent Liabilities

As at 31 March 2018, the Company had no significant contingent liabilities (as at 31 March 2017: Nil).

Pledged of Assets

At the end of the reporting period, the Group's banking facilities were secured by:

(i) certain of the Group's trade receivables with an aggregate amount of approximately HK$27,556,000 (2017: HK$32,639,000);

(ii) pledged bank deposits with an aggregate amount of approximately HK$2,381,000 (2017: HK$2,160,000);

(iii) pledge of key-man insurance with an aggregate amount of approximately HK$14,132,000 (2017: HK$13,622,000); and

(iv) a corporate guarantee from the Company with an aggregate amount of approximately HK$65,000,000 (2017: HK$65,000,000).

Capital Commitments

The Company had capital commitments on acquisition of intangible assets and property, plant and equipment of approximately HK$1.2 million (as at 31 March 2017: HK$2.4 million).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Wing Ki (談永基), aged 49, is the founder of the Group and appointed as the executive Director on 30 June 2014. He is also the chairman of our Board and our nomination committee and our chief executive officer.

He is responsible for the overall strategic planning and corporate policies as well as overseeing the operations of our Group. He is also a director of each subsidiary of our Company except Shenzhen Anyue New Technology Limited*. Mr. Tam has more than 20 years of experience in the consumer electronic products industry. Before founding our Group, Mr. Tam assumed various positions including a production material control manager of Central Base Enterprises Ltd from April 1991 to May 1998 and the factory manager of Hantong Communication Company Limited from June 1998 to December 2000. Mr. Tam attended the Tsuen Wan Government Secondary Technical School in Hong Kong and completed the Hong Kong Certificate of Education Examination in 1986.

Mr. Gao Hong (高宏), aged 40, is appointed as our vice chairman and executive Director on 7 April 2017. Mr. Gao was graduated from HEC University of Lausanne, Switzerland in 2000 with a bachelor's degree in Finance and obtained the HEC/GHBTI Finance Master Degree in 2002. Mr. Gao currently is an executive chairman of Hu An Cable Holdings Limited (stock code: KI3.SI) since 22 June 2017 whose shares are listed on Singapore Exchange main board. Mr. Gao joined Delta International CDS SA, Switzerland in 2003 and is currently one of its directors/partners. He has been the chief representative of Delta International CDS SA Beijing Representative Office since 2006, fully in charge of the investment business in the Asia Pacific area. Mr. Gao was an executive director of Harmonic Strait Financial Holdings Limited (stock code: 0033) and Seamless Green China (Holdings) Limited (stock code: 8150), whose shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), from 9 October 2014 to 23 November 2014 and from 18 June 2016 to 31 May 2017 respectively. Mr. Gao was an independent non-executive director of Nine Express Limited (stock code: 0009), whose shares listed on the main board of the Stock Exchange, from 3 June 2016 to 7 July 2017.

Mr. Gao was awarded the "China Venture Capital 10 year cutting-edge Investor" prize jointly issued by Financial Research Institute under the State Council Development Research Centre, Beijing Equity Exchange, the International Research Centre for equity investment and the International Financiers Association in 2008.

Mr. Fu Yan Ming (符恩明), aged 53, is appointed as our executive Director on 3 October 2016. Mr. Fu is a fellow member of The Association of Chartered Certified Accountants. He holds a bachelor degree in business administration from The Chinese University of Hong Kong. Mr. Fu possess over 25 years of experience in accounting, audit, internal control, financial control, strategic business planning and operations. He has worked for various international institutions, accounting firms, pharmaceutical distributor, TMT companies and listed companies. He held various senior positions including chief executive officer, finance manager, financial controller and company secretary in Hong Kong, Taiwan and the PRC. Mr. Fu is currently as a company secretary of Zhongda International Holdings Limited (stock code: 0909).

Mr. Kwok Ming Fai (郭明輝), aged 53, is appointed as our executive Director on 10 August 2016. Mr. Kwok possesses over 20 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained a Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is currently an executive director of Zhongda International Holdings Limited (stock code: 0909) and an independent non-executive director of DT Capital Limited (stock code: 0356). Mr. Kwok was also an independent non-executive director of Winshine Science Company Limited (formerly known as Winshine Entertainment & Media Holding Company Limited) (stock code: 0209) from October 2009 to November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Man (陳劭民), aged 51, is appointed as our independent non-executive Director, a member of each of our audit committee, remuneration committee and nomination committee on 31 August 2016. Mr. Chan is a certified public accountant in Hong Kong and the US. He holds a master degree in finance from University of Hawaii of US. Mr. Chan has over 25 years of experience in financial control and corporate restructuring. He has worked for various companies in the US, including a NASDAQ listed company to establish financial operation in Japan, Europe, and the PRC. Mr. Chan also has experience in consulting on corporate finance, project financing and accounting issues to companies in US, Europe and the PRC. Mr. Chan is currently an independent non-executive Director of Zhongda International Holdings Limited (stock code: 0909) and a non-executive Director of China Oil Gangran Energy Group Holdings Limited (stock code: 8132).

Mr. Fung Chan Man Alex, (馮燦文) aged 55, is appointed as our independent non-executive Director, a chairman of remuneration committee, a member of each of our audit committee and nomination committee on 31 July 2017. Mr. Fung obtained a BSc (Hons) degree in electrical and electronic engineering from the University of Bath in 1986 and subsequently a MBA degree from Heriot-Watt University. He has over 15 years of working experience in financial market and corporate finance activities in both Hong Kong and China. Currently, Mr. Fung is the independent non-executive director of Great Wall Belt & Road Holdings Limited (stock code: 524), Luxey International (Holdings) Limited (stock code: 8041) and i-Control Holdings Limited (stock code: 8355). Mr. Fung is representative of a licensed corporation to advise on corporate finance matters.

Mr. Wong Ching Wan (王青雲), aged 52, is appointed as our independent non-executive Director on 31 March 2016. He is also as the chairman of our audit committee, member of our remuneration committee and a member of our nomination committee. He is a member of the CPA Australia, the Hong Kong Institute of Certified Public Accountants, Chartered Professional Accountant of Canada and a fellow member of The Taxation Institute of Hong Kong. He has obtained a Bachelor of Business and Administration from the Chinese University of Hong Kong in 1989 and a Bachelor of Commerce from The University of Southern Queensland in 1992. Also, he has studied in the Professional Master of Business Administration course offered by the Troy State University, the US. Mr. Wong is an independent non-executive director of Huge China Holdings Limited (stock code: 0428), which shares are listed on main board of the Stock Exchange, since May 2015. He was the company secretary and authorised representative of China Oil Gangran Energy Group Holdings Limited (stock code: 8132) from 15 December 2015 to 31 October 2016 and from 15 December 2015 to 23 January 2017 respectively, which shares are listed on GEM board of the Stock Exchange. He was also a director of Network CN, Inc. (stock code: NWCN) from 28 August 2015 to 1 July 2017, which shares are duly traded in the US. Mr. Wong has more than 25 years of experience in audit, internal control, financial control and capital market. He has held various positions in different companies in the PRC, the USA and Hong Kong including senior position in multinational companies.

SENIOR MANAGEMENT

Mr. Ho Kwok Ming (何國明), age 56, is an engineering manager of our Group. He is primarily responsible for product design and coordination with marketing department of our Group. He joined our Group in October 2004.

Prior to joining our Group, Mr. Ho's primary working experiences include: a technician, an electronic engineer and an electronic engineer of Kong Wah Communications Limited from August 1987 to December 1991, January 1992 to August 1992 and April 1993 to March 1996, respectively, an electronic engineer of Kong Wah Electronic Enterprises Ltd. from April 1996 to November 1996, a technical officer and subsequently promoted to senior technical officer of New World Telephone Ltd. from December 1996 to December 1999 and an electronic engineer of Elite Industrial Holdings Ltd. from January 2000 to July 2003. Mr. Ho received a higher diploma in telecommunications and networking from Hong Kong Institute of Vocational Education in Hong Kong in July 2004.

Mr. Cheung Chung Yuen Wilson (張中元), aged 54, is the financial controller and is primarily responsible for the financial reporting and financial and accounting management of our Group. He joined our Group in November 2014 and left our Group in May 2018.

Prior to joining our Group, Mr. Cheung's primary working experiences include: an auditor of Chu and Chu from July 1985 to May 1988; a senior account clerk and subsequently promoted to officer of Finarts Trading Co., Ltd from July 1988 to April 1992; a financial accountant of Team Concepts (Hong Kong) Limited from April 1992 to February 1993; an accountant of Pan-Win Development Limited from March 1993 to June 1994; an assistant accountant and subsequently promoted to accountant of Star Telecom Limited from June 1994 to November 1996; and an accountant and subsequently promoted to accounting manager of Glorious Sun Enterprises (BVI) Limited from December 1996 to November 2013. Mr. Cheung received a bachelor's degree in business administration from the Heriot-Watt University in the UK in November 2006. He is a member of the Hong Kong Institute of Certified Public Accountants since October 2004.

Mr. Wong Kin Fan (黃健勳), aged 52, is the financial controller and is primarily responsible for the financial reporting and financial and accounting management of our Group. He joined our Group in May 2018.

Mr. Wong received the bachelor's degree in business from University of Southern Queensland in March 1994, the post graduate diploma of information technology from Central Queensland University in 2001 and the Master of business administration from University of Ballarat in 2007. He is a member of the Certified Public Accountants Australia since March 2003. Mr. Wong has more than 20 years of experience in auditing, internal control and financial control. He worked for various international institutions and listed companies.

* *The English translation of the Chinese name is for information only, and should not be regarded as the official English translation of such name. Please refer to the Chinese version of this annual report for the Chinese name.*

CORPORATE GOVERNANCE REPORT

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devote considerable effort to maintain high level of business ethics and corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 March 2018, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CORPORATE GOVERNANCE STRUCTURE

The Board is primarily responsible for formulating strategies, monitoring performance and managing risks of the Group. At the same time, it also has the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are 3 board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). All these committees perform their distinct roles in accordance with their respective terms of reference (available on the Company's website) and assist the Board in supervising certain functions of the senior management.

DIRECTORS' SECURITIES TRANSACTIONS

The Group had adopted Rules 5.46 to 5.67 of the GEM Listing Rules (the "**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, all the Directors of the Company had confirmed compliance with the required standard of dealings set out in the Model Code and the code of conduct for Directors' securities transactions during the year ended 31 March 2018.

BOARD OF DIRECTORS

At present, the Board comprises seven directors ("**Directors**") as follows:

Executive Directors:
Mr. Tam Wing Ki *(Chairman and Chief Executive Officer)*
Mr. Gao Hong *(Vice Chairman, appointed on 7 April 2017)*
Mr. Fu Yan Ming
Mr. Kwok Ming Fai

Independent Non-executive Directors:
Mr. Chan Shiu Man
Mr. Fung Chan Man Alex *(Appointed on 31 July 2017)*
Mr. Wong Ching Wan

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 12 to 14. There are no family or other material relationships among members of the Board.

The Board has the responsibility for leadership and control of the Company. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to the shareholders for the strategic development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

Pursuant to Code Provision A.1.1 of the CG Code, the Board is expected to meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. 8 Board meetings and 1 general meeting were held during the year ended 31 March 2018.

The attendance record of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year ended 31 March 2018 is set out in the following table:

Name of Directors	**Board Meetings (attendance/ total no. of meeting held)**	**Audit Committee Meetings (attendance/ total no. of meeting held)**	**Remuneration Committee Meetings (attendance/ total no. of meeting held)**	**Nomination Committee Meetings (attendance/ total no. of meeting held)**	**General Meeting (attendance/ total no. of meeting held)**
Executive Directors					
Mr. Tam Wing Ki	8/8	N/A	N/A	4/4	1/1
Mr. Fu Yan Ming	8/8	N/A	N/A	N/A	1/1
Mr. Gao Hong *(Appointed on 7 April 2017)*	6/7	N/A	N/A	N/A	1/1
Mr. Kwok Ming Fai	8/8	N/A	N/A	N/A	1/1
Mr. Tao Hong Ming *(Resigned on 1 September 2017)*	3/3	N/A	2/2	N/A	0/1
Independent Non-executive Directors					
Mr. Chan Shiu Man	8/8	4/4	2/2	4/4	1/1
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*	2/2	1/1	2/2	2/2	1/1
Mr. Fung Chan Man Alex *(Appointed on 31 July 2017)*	5/6	3/3	0/0	2/2	0/0
Mr. Wong Ching Wan	8/8	4/4	2/2	4/4	1/1

Code Provision A.1.3 of the CG Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or audit committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are provided with details of agenda items for decisions making with reasonable notice and welcome to include matters in the agenda of each Board meeting. Directors have access to the advice and services of the company secretary of the Company ("**Company Secretary**") who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are opened for inspection as request by Directors. During the year, the Board was given sufficient time to review and approve the minutes of Board meetings and meetings of Board committees. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company, at the expense of the Company.

If potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting. The Directors attend meetings in persons or through other means of electronic communication in accordance with the Bye-laws of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the Executive Directors and senior management.

All Directors assume the responsibilities owed to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through quarterly, half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations.

The Company has three Independent Non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. Each of the Independent Non-executive Director has made an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the Independence Guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

According to the Company's articles of association, newly appointed Directors shall hold office until the next following general meeting and shall be eligible for re-election at that meeting. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 year ended 31 March 2018 under review, the roles of chairman and chief executive officer of the Company has not been separated. 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 provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

One of the important roles of the chairman is to provide leadership for the Board to ensure that the Board always acts in the best interest of the Group. The chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established and the Board works effectively and fully discharges its responsibilities, and that all key issues are discussed by the Board in a timely manner. The chairman has taken into account, where appropriate, any matters proposed by the Directors for inclusion in the agenda. The chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the Company Secretary. With the support of the Company Secretary, the chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

The Board considers that there are adequate balance of power and safeguards in place and will review and monitor this situation periodically and will ensure that present structure would not impair the balance of power of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL

During the year, the Directors provided the Company and its subsidiaries with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company. Under Code Provision A.4.1 of the CG Code, each of the Non-Executive Directors and Independent Non-Executive Directors ("**INED**") has entered into a service contract with the Company for three years but subject to termination in certain circumstance as stimulated in the relevant service contracts. At each annual general meeting, one third of the Directors for the time being (of if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be eligible for re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

(i) developing and reviewing the Company's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2018 and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board has to review the policy concerning diversity of Board members and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

AUDIT COMMITTEE

The Company has established an audit committee on 16 September 2015 with written terms of reference that set out the authorities and duties of the Audit Committee. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The Audit Committee performs, amongst others, the following functions:

- To review the financial information of the Group.
- To review the relationship with and terms of appointment of the external auditor.
- To review the effectiveness and adequacy of the Company's financial reporting system, internal control system and risk management system.

During the year, the Audit Committee held 4 meetings. The Audit Committee oversaw the internal control system of the Group, reviewed the consolidated financial statements of the Group for the year ended 31 March 2018, quarterly and half yearly results, the accounting principles and practices adopted by the Group, selection and appointment of the external auditor, reports to the Board on any material issues, and made recommendations to the Board. There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 March 2018.

As at 31 March 2018, the Audit Committee comprises three members namely:

Mr. Wong Ching Wan *(Chairman)*
Mr. Chan Shiu Man
Mr. Fung Chan Man Alex

All the members are Independent Non-Executive Directors (including two Independent Non-Executive Directors who possess the appropriate professional qualifications, accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

REMUNERATION COMMITTEE

A remuneration committee was set up on 16 September 2015, with written terms of reference in compliance with the code provisions of the CG Code, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements to oversee the remuneration policy and structure for all Directors and senior management. The most up-to-date written terms of reference of the Remuneration Committee are available on the Company's website and on the website of the Stock Exchange.

The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure of the Directors and the senior management and determining the remuneration packages of all Executive Directors and senior management. The Remuneration Committee is also responsible to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2018.

The Remuneration Committee held 2 meetings during the year. The members reviewed the remuneration package of Directors and the senior management of the Company.

As at 31 March 2018, the Remuneration Committee comprises three members namely:

Mr. Fung Chan Man Alex *(Chairman) (Appointed on 31 July 2017)*
Mr. Chan Shiu Man
Mr. Wong Ching Wan

Majority of the members are Independent Non-executive Directors.

In addition, pursuant to Code Provision B.1.5 of the CG Code, the number of non-director senior management whose annual remuneration by band during the year ended 31 March 2018 is set out below, details of the Directors remuneration are set out in note 13:

	2018
Nil to HK$1,000,000	3

NOMINATION COMMITTEE

The Company has established a nomination committee on 16 September 2015 for making recommendations to the Board on appointment of Directors and succession planning for the directors.

The principal duties of the Nomination Committee include reviewing the Board composition, making recommendations to the Board on the appointment and succession planning of Directors, reviewing and recommending for the Board's approval of the proposed resolution for re-election of the retiring Directors at 2018 AGM, reviewing the structure, size, composition and diversity of the Board and assessing the independence of each INED.

In considering the appointment of new directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively etc., and made recommendation to the Board for approval.

In accordance with the Company's Articles of Association, Mr. Gao Hong, Mr. Fung Chan Man Alex, Mr. Tam Wing Ki and Mr. Wong Ching Wan shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference and may also deal with matters by way of circulation. The Nomination Committee held 4 meetings during the year. The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

As at 31 March 2018, the Nomination Committee comprises four members namely:

Mr. Tam Wing Ki *(Chairman)*
Mr. Chan Shiu Man
Mr. Wong Ching Wan
Mr. Fung Chan Man Alex *(Appointed on 31 July 2017)*

Majority of the members are Independent Non-executive Directors.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which gives a true and fair view. In preparing the consolidated financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable and have ensured that the consolidated financial statements are prepared on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the year and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

To control risks in relation to sanctions laws under the US, the European Union and Australia, the Company endeavours to continuously monitor and evaluate the business and take measures to protect the interest of the Group and shareholders. In particular, the Company have adopted the policies as stated in the section headed "Risk Factors" in the Prospectus.

Russia is one of our shipment destinations of our products. Our revenue generated from the sales of our products shipped to Russia represented less than 0.2% in terms of our total revenue for the year ended 31 March 2018. 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 endeavors to continuously monitor and evaluate our business and take measure to protect the interest of the Group and Shareholders. In particular, the Company has adopted the following policies during the year ended 31 March 2018:

(i) the Company has maintained an updated log on the publicly available sanction lists maintained by the United States, the European Union and Australia (the "**Sanction Lists**") and has disseminated the updated Sanction Lists to all its relevant staff on a regular basis to promote staff awareness in general and to facilitate effective monitoring of sanction laws;

(ii) any existing and/or potential business dealings that become suspected of sanctions risks exposure had been ceased and reported to the Directors immediately, whereupon the Directors has investigated and consulted with legal advisers with necessary expertise and experience in international sanction law matters and taken appropriate actions;

(iii) Mr. Kwok Ming Fai, an executive Director of the Company, has been overseeing our compliance with sanctions laws and has consulted legal advisers with necessary expertise and experience in international sanctions law matters as and when required in respect of our compliance with sanction laws;

(iv) the Company has evaluated the sanctions risks prior to determining whether the Company should embark on new business opportunities. The senior management has conducted relevant customer due diligence including, without limitation, identity and background of customers and their principal business activities and check against the Sanction Lists to identify any possible exposure to sanction risks. Whenever potential sanctions risk is identified, the Company had sought advice from legal advisers with necessary expertise and experience in international sanctions law matters. The Company has also conducted semi-annual review of active customers against the Sanction Lists to ascertain our active customers do not fall under any named entities or individuals under the Sanction Lists; and

(v) the senior management of the Company has reviewed on a semi-annual basis our internal control policies and procedures with respect to sanctions law matters.

With regard to the above policies adopted, the Directors are of the view that such policies have provided a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk relating to sanctions laws.

The Company confirms that it has not entered and will not enter into any transaction in Russia that the Company believed would put itself or its investors and Shareholders to risks of being sanctioned.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint an independent internal control review advisor ("**Internal Control Advisor**"), which is independent of the Group's daily operation and consists of professional staff with relevant expertise, to perform the review on risk management and internal control systems of the Group in order to meet its needs.

During the year, the Board itself and through the Audit Committee and the Internal Control Advisor have conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. External independent internal control consulting company was engaged to assist the Board to perform high-level review of the internal control systems for its business operations and processes. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment which was made by discussions with the management of the Company and its external auditor. The Board believes that the existing internal control system is adequate and effective.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

PricewaterhouseCoopers ("**PwC**") has resigned as auditor of the Company with effect from 10 March 2017 as the Company and PwC could not reach a mutual agreement in respect to the auditors' remuneration for the financial year ending 31 March 2017.

The Company is incorporated under the laws of Cayman Island and to the knowledge of the Board there is no requirement under the laws of Cayman Island for the resigning auditor to confirm whether or not there is any circumstances connected with their resignation which they consider should be brought to the attention of the shareholders of the Company. PwC has therefore not issued such confirmation.

The Board and Audit Committee confirmed there are not other matters or circumstances in connection with the change of the auditors of the Company that need to be brought to the attention of the shareholders or creditors of the Company.

Audit Committee recommended SHINEWING (HK) CPA Limited ("**SHINEWING**") be appointed as the new auditor of the Company with effect from 10 March 2017.

The statement of SHINEWING in respect of its reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 March 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The fees paid/payable to SHINEWING during the year ended 31 March 2018 are set out as follows:

	Fee paid/ payable HK$'000
Audit services	750,000
Non-audit services	303,000

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board procedures are followed and facilitating communications among Directors as well as with shareholders and management.

From 1 April 2017 to 15 August 2017, the chief financial officer and Company Secretary was Mr. Chan Koon Fat. On 15 August 2017, Mr. Chan resigned as the Company Secretary and Mr. Au Yeung Ming Yin Gordon has been appointed as the Company Secretary.

During the year ended 31 March 2018, Mr. Au Yeung Ming Yin Gordon had undertaken no less than 15 hours of relevant professional training to update his skill and knowledge.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports. The corporate website of the Company (www.on-real.com) has provided an effective communication platform to the public and the shareholders.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant training materials to the Directors. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials. All Directors had provided the Company their training records for the year under review and the Company will continue to arrange the training in accordance with Code Provision A.6.5 of the CG Code. The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. The annual general meeting and other general meetings of the Company are primary forums for communication between the Company and its shareholders. The Company provides shareholders with relevant information on the resolution(s) proposed at general meetings in a timely manner in accordance with the GEM Listing Rules. The information provided is reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

CONSTITUTIONAL DOCUMENTS

The Company has no significant changes in the Company's constitutional documents during the year. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the GEM Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association of the Company which provides that extraordinary general meetings should be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene an extraordinary general meeting within 21 days of the deposit of the requisition, the requisitionist(s) may convene an extraordinary general meeting himself/themselves, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in Article 85 of the Company's Articles of Association. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of company secretary, by email: enquiry@on-real.com, or by post to Office C, 27/F., Billion Plaza 2, 10 Cheung Yue Street, Kowloon, Hong Kong.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the GEM Listing Rules and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Environmental, Social and Governance ("**ESG**") Report published by On Real International Holdings Limited (the "**Company**") highlights the sustainable development initiatives and social governance performance of the Company and its subsidiaries (collectively the "**Group**" or "**We**") from 1 April 2017 to 31 March 2018 (the "**Year**").

Scope of the Report

The ESG report focuses on the Group's factory in the Xincheng Industrial Park in Yunfu (the "**Yunfu Factory**"), the People's Republic of China (the "**PRC**"), and its performance in environmental and social aspects during the Year, and the key performance indicators in regard to the Yunfu Factory of the Year are also disclosed. For details of corporate governance, please refer to the Corporate Governance Report on page 15 to 26 of the Company's Annual Report.

Reporting Framework

The ESG Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 20 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

Stakeholder Engagement

The compilation of the ESG report represents the joint participation of our employees in various departments and gives us a better understanding of the Group's current level of development in environmental and social aspects. The information we have collected not only summarizes the Group's work on the environment and society during the Year, but also lays the groundwork for the formulation of short-term and long-term sustainable development strategies.

Information and Feedback

For more information on the Company's environment and corporate governance, please refer to the official website (http://www.on-real.com/) and Annual Report of On Real International Holdings Limited. If you have any opinions or suggestions on this ESG report, please feel free to contact us via email at enquiry@on-real.com.

ENVIRONMENTAL PROTECTION

The Group strictly abides by the relevant laws and regulations, such as the *Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste* and *Environmental Protection Law of the PRC*. For better management and control of the environment and compliance with the national emission standards, the Group has formulated relevant procedures to involve all departments and units in environmental protection. The Yunfu Factory has obtained GB/T24001–2016/ISO14001:2015 environmental management system certification.

Although the Group is not a highly-polluting enterprise, we still work closely with the environmental monitoring department to monitor the exhaust gas, dust and wastewater and other pollutants generated from the factory. If any problems are found during the monitoring process, we will take timely corrective action to ensure that the emissions meet the relevant emission standards. We also formulate greening plan for the production area and living area, make good use of the open space and roadside space in the production area and living area to plant flowers and trees for the greening of environment. In order to enhance our staff's awareness of environmental protection, the Yunfu Factory has conducted relevant trainings regarding the knowledge of environmental protection for the staff during the Year.

Emissions Treatment

The Group's waste falls into three categories, including recyclable waste, non-recyclable waste and regulated waste. For the recyclable waste, the Group has put forward the notion of effective resources use. For example, substandard products are broken down and reused to the fullest extent. During the Year, the Yunfu Factory has aggregately recycled 0.15 tonnes of non-hazardous waste, including waste lead-free solder residue. Non-reusable materials and the hazardous waste (such as electronic waste) are transferred to qualified companies for recycling to reduce the pollution caused by the disposal of waste. The Yunfu Factory produced 22 waste light tubes during the Year. As for the non-recyclable waste, it is sorted by types at the designated location for central disposal by the sanitation department. Personnel from canteen contractor is responsible for the follow-up work for regulated waste, such as food waste, waste oil and fat, and we will notify qualified company for collection when the storage reaches a certain amount.

The Group's wastewater includes wastewater discharged from cooling towers and domestic sewage. Cooling water from cooling towers will be recycled for use. In order to maintain the quality of circulating water, wastewater in the cooling tower is regularly discharged into septic tanks and water is replenished. Domestic sewage generated from employees activities and greasy sewage from kitchen constitute the major part of our sewage. Domestic sewage from employees activities must pass through the septic tanks before discharge and regular cleaning of septic tanks is also arranged to ensure the normal operation of septic tanks. After passing through the grease traps and screen, greasy sewage from kitchen is discharged into the sewage plant of the industrial park through sewage pipe for subsequent treatment.

In the Year, the Yunfu Factory conducted tests for domestic sewage, and the results have met the discharge standard under *Standards of Sewage Treatment and Inlet Water Technology for Xincheng Industrial Park in Xinxing County*. Detailed data for domestic sewage discharge are as follows:

Name of pollutants	Discharge amount	Discharge limit of the standard
pH value	7.49	6–9
Total Suspended Solids (TSS)	39mg/L	90mg/L
Chemical Oxygen Demand (COD)	156mg/L	250mg/L
Biochemical Oxygen Demand (BOD)	54.4mg/L	110mg/L
Ammonia Nitrogen	23.5mg/L	25mg/L

Regarding the exhaust gas and dust generated in production, the Group reduces dust emission to the utmost from the filling of vessel, in order to lessen the adverse environmental impact. All production departments have the responsibilities to ensure that their ventilation systems are operating normally and provide a safe working environment for employees. We also require the installation, regular inspection and maintenance of fume purification equipment in canteen to reduce fume emissions. The Group strictly abides by the national provisions on vehicle exhaust emissions and performs regular maintenance on the vehicles to ensure the exhaust emissions will not exceed the limit of required standards.

In the Year, the Yunfu Factory conducted tests for exhaust gas from production, and the results have met the emission standard under *Emission limits of air pollutants* (DB44/27-2001) of Guangdong Province. Detailed data for exhaust gas from production are as follows:

Name of pollutants	Emission amount	Emission limit of the standard
Non-methane Hydrocarbons	2.22 mg/m^3	120 mg/m^3
Tin and its Compounds	9.8×10^{-3} mg/m^3– 1.04×10^{-2} mg/m^3	8.5 mg/m^3

Resources Conservation

In full recognition of the importance of resources conservation, various measures have been taken to improve the resources efficiency.

For the materials used during the production process, procurements were made strictly in accordance to our production plans, and regular inventory checks were conducted in order to control the consumption of materials effectively. We have also stored the materials in a proper place and check from time to time, so as to avoid the materials being wasted due to improper storage. To maximize the use of every material, the Yunfu Factory even recycled the scraps and wastes that generated during production.

For efficient electricity use, we use T5 fluorescent lamps and light-emitting diodes and other energy-efficient lighting fixtures, use sectional lighting system, and install motion sensors in areas not frequently in use. We also post energy saving notices in offices, encourage employees to turn off unnecessary electronic equipment, air conditioning and lighting systems, and set the indoor temperature at 25.5 degrees Celsius to reduce power consumption. Furthermore, the Yunfu Factory has minimized and avoided frequently turning on the production equipment with larger power consumption as far as possible, and conducted electricity consumption census, with the aim to reduce waste of electricity.

In order to avoid water waste, notices about water conservation are displayed in toilets to remind employees to turn off the faucet tightly after use. We also regularly check the water pipes and run leakage test so as to ensure good condition of the water pipes and prevent leakage. Dripping equipments are repaired in a prompt manner. In addition, the Yunfu Factory has conducted water consumption census to maintain effective control on water usage. If any unusual situation was discovered, we would analyze and find out the problems of the facilities.

To save paper, we encourage employees to reuse or use both sides of paper, and avail themselves of electronic platform for information dissemination. We have recycling bins to collect paper, such as waste paper, posters and envelopes, etc., which will be sent to the waste paper recycling company for recycling. During the Year, the Yunfu Factory has recycled 126 kg waste paper in total, which accounted for 605 kg CO_2e reduction of the Group's greenhouse gas emissions. As part of our effort in environmental protection, we select printing paper and tissues made of recycled materials, and encourage employees to use video conferencing to replace unnecessary overseas business trip whereas direct flights are chosen for inevitable business travel to reduce carbon emissions.

VALUE OUR EMPLOYEES

Through our strict conformity to the relevant laws and regulations, such as the *Labor Law of the PRC* and *Labor Contract Law of the PRC*, and adamant adherence to the "People-oriented" business philosophy, our employees are entitled to equal treatment at workplace and fair chance of promotion, transparent remuneration and benefit system, as well as adequate rest breaks. In order to promote the physical and mental well-being of our employees, the Yunfu Factory continued to hold the annual gala dinner in the Year, in recognition for their contributions.

Employees Rights and Benefits

Annual human resources plan is designed to align manpower with the development need of our business. During the recruitment process, the Personnel Administration Department is responsible for the recruitment based on the position requirements of various departments. Candidates who meet the job requirements have equal interview opportunities and are not discriminated on the basis of gender, race, religion, age, disability and other factors. Every staff has the right to work in a working environment free from any harassment. When complaints in relation to harassment and discrimination are received, we will keep the information confidential for the relevant staff and conduct thorough investigation and handling process. To prevent child labor, newly recruited employees are required to provide us with the copy of identity card to ensure that they reach the legal age of employment. As part of our commitment against forced labor, our employees enter into a labor contract with relevant information of the posts clearly specified. Acting in accordance with the national laws and regulations, the Group pays social insurance for employees, including endowment insurance, medical insurance, unemployment insurance, maternity insurance and employment injury insurance, and ensures the working hours of employees complies with the local laws and regulations. According to the needs of production and business, the Yunfu Factory will pay overtime payment in accordance to the law or offer time off in lieu. In addition to statutory leaves, employees are also entitled to marriage leave, funeral leave, maternity leave, paternity leave and annual leave. We regularly assess employees' performance as a basis for remuneration adjustment, promotion and year-end bonuses. For the resigned employees, payment of outstanding salary is made on time in accordance with national laws and regulations after the handover. We also value the opinions and requests from staff, therefore, the Yunfu Factory has placed a mailbox for complaint letters at the office. After receiving complaints, we will conduct investigation and adopt relevant improvement measures.

Training and Development

To accomplish the business development objectives of the Group, employees training plan is implemented and subject to annual adjustment to improve the quality and efficiency of our employees. To facilitate a swift adaptation to the working environment, all new employees must attend the induction courses organized by the Personnel Administration Department to get acquainted with the rules and regulations, history and overview of the Group. New employees must pass the on-board examination upon completion of the orientation training before they can be formally employed. It is also compulsory for them to participate in the training provided by the relevant departments, which covers the work and responsibilities of their posts. We also provide on-the-job training for our employees. Each department organizes relevant training activities in accordance with the annual training plan. For example, the Engineering Department organizes trainings on production technology, product and technology updates annually for the Group's products. In addition, the Group also provides relevant professional training for employees according to business needs. Professional training and a series of keynote speeches from experts and scholars are also available for skill enhancement of outstanding employees.

Health and Safety

The Group has given much care to the physical and mental health of employees and strictly abides by the laws and regulations concerning occupational safety and health, such as the *Safe Production Law of the PRC, Law of the PRC on Prevention and Control of Occupational Diseases* and *Regulations on the Safety Management of Hazardous Chemicals*. Having the working environment kept tidy and clean at all times, the Yunfu Factory executes the "7S" management to provide its employees with a favourable working environment.

Under the safety production management system, we regularly develop safety production targets, identify, assess and control the safety risks in the production process and educate our employees on production safety to ensure the employees' personal safety. We provide employees with pre-employment and pre-departure health checks, as well as protective equipment, such as protective gloves, earplugs and anti-virus masks to reduce their susceptibility to occupational diseases. We also establish relevant systems for the management of hazardous chemicals in accordance with the requirements of laws and regulations. Designated employee is also assigned to take charge of the management of hazardous chemicals and to inspect the storage and safety conditions of chemicals to avoid leakage. For better understanding of the Group's occupational safety policy and higher awareness of the occupational safety, we provide safety training for our employees. The contents of safety training include relevant laws and regulations on safety production, safety management policies and rules and regulations of the Group, safety knowledge of machinery operation and the usage of personal protective appliance. No substantial incidents of duty-related death or injury of employees in the Yunfu Factory is recorded for the Year.

OPERATING PRACTICE

The Group is committed to a client-oriented philosophy during the process from suppliers selection, production to products delivery to clients. Devoting ourselves to provide high quality products to clients flawlessly would often be our goal. For the promotional information available to the public, we underwent thorough verification of all contents included, and aimed at prohibiting the dissemination of scandalous information to strictly unify promotional works.

Supplier Management

To make sure that the raw materials procurement complies with the requirements of the Group, we have developed a supplier management system for more effective management of our supply base at source. A list of qualified suppliers is compiled and regularly reviewed according to the raw materials, components and parts needed in production. The supplier selection process involves consideration of the scale of production, manufacturing capabilities, industry reputation, product quality and possession of licenses and certificates. Before entering into cooperation with new suppliers, suppliers have to provide samples of raw materials, components and parts for the Product Research and Development Department and Production Department to decide whether the samples provided meet our manufacturing and production requirements. Upon confirmation of cooperation, the new suppliers will be added to the list of qualified suppliers.

Protection of Customers' Rights and Interests

As a responsible manufacturer, the Group accords great importance to the quality of its products in its endeavour to provide high quality products to its customers. To this end, we have taken a number of testing procedures and the Yunfu Factory has also obtained ISO/TS16949:2009 quality management system certification. We strictly abide by the relevant laws and regulations, such as the *Product Quality Law of the PRC*, to ensure that the products meet quality requirements. Also, we comply with the laws and regulations in relation to the intellectual property, such as the *Copyright Law of the PRC, Patent Law of the PRC* and *Trademark Law of the PRC*.

In order to ensure that the raw materials procurement fulfills the requirements of the Group and to prevent any adverse impact of the raw materials on the Group's products, our inspectors conduct random sampling test before receipt of raw materials. The raw materials that passed the sampling test are arranged for warehouse storage; those unqualified raw materials in sampling test will be sent back to the original suppliers. During the production process, we also conduct a number of quality control checks. For example, injection molded plastic parts and welded circuit board need to pass the quality control inspection before put into use. Contractors who are in charge of the casing assembly process are also required to comply with the Group's quality requirements. The assembled finished products need to pass the functional test to ensure normal operation. Customers can also send inspectors for inspection if necessary. Any unqualified products are sent back to the production line for comprehensive screening or re-processing to ensure that the product specifications are in line with customer's product standards.

The Group also provides high quality after-sales service to maintain the quality and sustainability of the products. We are committed to maintaining close relationship with our customers, adjust and develop products to meet the needs of the market with reference to the customer's preferences and demands. After delivery of the finished product, the customers are responsible for the final consumers' complaints and products return. After receiving the complaint, we will consider the remedial measures for individual cases if the damage to the product is related to the product design or manufacturing.

Data Confidentiality

The Group has always respected the privacy of its customers and spared no effort to protect the customer's information and internal confidential documents against leakage. Therefore, employees are required to sign confidentiality agreements and maintain the privacy and confidentiality of all the business information of the Group. Employees are provided with a code of conduct on the use of computers and required to keep their computers and materials property to avoid loss of data. Employees also have to use copyrighted software to respect intellectual property. In addition, since part of the casing assembly process is handled by the contractor, the contractor needs to comply with the outsourcing agreement and refrain from disclosing confidential information of the Group's products or customers to ensure information security.

Anti-Corruption

The Group strictly abides by the relevant laws and regulations, such as the *Criminal Law of the PRC*, and operates according to proper business practices. Abuse of power for embezzlement or misappropriation of assets of the Group, and engagement in malpractice or bribery are not tolerated. We also require employees to sign a statement of conflict of interest and inform us of any potential conflicts of interest with the Group. The Yunfu Factory also stresses workplace integrity through organizing anti-corruption and anti-bribery related trainings to its employees. Committed to the highest standards of openness, integrity and accountability, we encourage employees to report any suspected misconduct or malpractice. Upon receipt of report, we will conduct an investigation to take further action. The identity of the whistle-blower is kept strictly confidential to avoid unfair treatment. No cases of corruption or receipt of internal report in the Yunfu Factory is recorded for the Year.

COMMUNITY PARTICIPATION

In pursuit of business development, the Group also encourages the active participation of its employees in charitable activities to help the disadvantaged groups and contribute to the community.

In the Year, the Yunfu Factory engaged in "Entrepreneurship-Innovation"(「雙創」) works in Xinxing County, Yunfu City, which creates a hygienic and civilized city. It utilizes its capacity to take up the responsibility to monitor the hygienic cleaning, produce promotional poster and maintain daily order in one of the residential area in the county. Meanwhile, the Yunfu Factory sent children-specified donations to schools in the region where it locates on Children's day, to finance the children to purchase necessities at school.

Key Performance Indicators

The data of key performance indicators of the Yunfu Factory for the Year is as follows:

Environmental indicators	**2018**
Emissions from vehicles	
Nitrogen Oxides (kg)	179
Sulphur Dioxides (kg)	1
Particulate Matters (kg)	11
Greenhouse gas	
Total greenhouse gas emissions (tonnes CO_2e)	795
Greenhouse gas emissions per production line (tonnes CO_2e/production line)	79.54
Waste	
Total non-hazardous waste produced (tonnes)	33
Non-hazardous waste produced per production line (tonnes/production line)	3.33
Use of resources	
Total energy consumption (MWh)	1,483
Energy consumption per production line (MWh/production line)	148.34
Energy consumption from gasoline used (MWh)	69.92
Energy consumption from diesel oil used (MWh)	251.69
Energy consumption from electricity used(MWh)	1,161.76
Total water consumption (m^3)	11,866
Water consumption per production line (m^3/production line)	1,186.57
Use of packaging materials	
Total paper used (tonnes)	274
Paper used per production line (tonnes/production line)	27.38
Total plastic used (tonnes)	46
Plastic used per production line (tonnes/production line)	4.58

REPORT OF THE DIRECTORS

The Board has the pleasure in presenting the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 36 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated financial statements on pages 45 to 109 of this annual report.

The Board does not recommend payment of a dividend in respect of the year ended 31 March 2018.

SHARE CAPITAL

Details of the shares capital of the Company for the year ended 31 March 2018 are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018, calculated under Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, amounted to approximately HK$23,408,000 (2017: approximately HK$26,562,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on page 110 of the annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**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 summarised 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 15 to the consolidated financial statement.

DIRECTORS

The directors of the Company (the "**Director(s)**") during the year and up to the date of this report were:

Executive Directors:
Mr. Tam Wing Ki *(Chairman and Chief Executive Officer)*
Mr. Gao Hong *(Vice chairman, appointed on 7 April 2017)*
Mr. Fu Yan Ming
Mr. Kwok Ming Fai
Mr. Tao Hong Ming *(Resigned on 1 September 2017)*

Independent Non-executive Directors:
Mr. Chan Shiu Man
Mr. Cheng Yuk Kin *(Resigned on 31 July 2017)*
Mr. Fung Chan Man Alex *(Appointed on 31 July 2017)*
Mr. Wong Ching Wan

In accordance with Article 84 of the Company's Articles of Association, Mr. Tam Wing Ki, Mr. Gao Hong, Mr. Fung Chan Man Alex and Mr. Wong Ching Wan retire by rotation at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

Mr. Cheng Yuk Kin resigned on 31 July 2017 as Independent Non-executive Director of the Company. Mr. Tao Hong Ming resigned on 1 September 2017 as Executive Director of the Company. Mr. Cheng Yuk Kin and Mr. Tao Hong Ming have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Mr. Fung Chan Man Alex is Independent Non-Executive Directors and was appointed for a three-year term expiring on 30 July 2020. Mr. Wong Ching Wan was appointed as Independent Non-Executive Director on 31 March 2016 for a three-year term expiring on 30 March 2019. Mr. Chan Shiu Man was appointed as Independent Non-Executive Director on 31 August 2016 for a three-year term expiring on 30 August 2019.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS' AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 12 to 14 of this annual report.

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

At 31 March 2018, Mr. Tam Wing Ki ("**Mr. Tam**"), the executive Director and chief executive officer of the Company, and Mr. Gao Hong, the executive Director 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 (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO:

Name of Director	Name of Companies	Capacity	Number of shares and underlying shares	Percentage of shareholding
Mr. Tam	The Company	Beneficial owner	898,176,000	23.39%
Mr. Gao Hong	The Company	Beneficial owner	6,000,000	0.16%

Note: All interests stated above represent long positions.

Save as disclosed herein, as at 31 March 2018, 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. There were no debt securities issued by the Group during the year ended 31 March 2018.

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

At 31 March 2018, so far as known to the Directors, the following shareholders had, or were deemed to have, interests or short positions, 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
Solution Smart Holdings Limited ("**Solution Smart**") *(Note 1)*	Beneficial owner	1,125,896,000	29.32%
SW Venture Asia Limited ("**SW Venture Asia**") *(Note 1)*	Interest in a controlled corporation	1,125,896,000	29.32%
Mr. Yeung Shing Wai ("**Mr. Yeung**") *(Note 1)*	Interest in a controlled corporation	1,125,896,000	29.32%
SMK Investment Company Limited ("**SMK**") *(Note 2)*	Beneficial owner	898,176,000	23.39%
Mr. Tam Wing Ki *(Note 2)*	Interest in a controlled corporation	898,176,000	23.39%
Ms. Tang Yin Ping ("**Ms. Tang**") *(Note 3)*	Interest of his child under 18 or spouse/interest of a substantial shareholder's child under 18 or spouse	898,176,000	23.39%

Notes:

1. Mr. Yeung is the sole beneficial shareholder of SW Venture Asia, which is the sole beneficial shareholder of Solution Smart. Therefore, Mr. Yeung and SW Venture Asia are deemed to be interested in 1,125,896,000 shares of the Company held by Solution Smart under the SFO.

2. Mr. Tam Wing Ki, the Director and chief executive officer of the Company, is the sole beneficial shareholder of SMK. Therefore, Mr. Tam Wing Ki is deemed to be interested in 898,176,000 shares of the Company held by SMK under the SFO.

3. Ms. Tang is the spouse of Mr. Tam Wing Ki. Therefore, Ms. Tang is deemed to be interested in 898,176,000 shares of the Company held by Mr. Tam Wing Ki under the SFO.

4. 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 as at 31 March 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	Percentage of the Group's total purchases
The largest supplier	15.7%
Five largest suppliers in aggregate	33.4%

	Percentage of the Group's total sales
The largest customer	38.0%
Five largest customers in aggregate	62.9%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major supplier and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Board has pleased to present the Environmental, Social and Governance ("**ESG**") report for the year ended 31 March 2018. This report has been prepared with reference to ESG Reporting Guide issued by the Stock Exchange and is set out in the section headed "Environmental, Social and Governance report" in this annual report.

CONNECTED TRANSACTIONS

A summary of the related transactions entered into by the Group during the year ended 31 March 2018 is contained in Note 33 to the consolidated financial statements. Certain related party transactions also constituted continuing connected transactions, but are exempted from the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is a sufficient public float of at least 25% of the Company's issued shares at the latest practicable date prior to issue of this report under the GEM Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 33 of this annual report, there were no other contracts of significance in relation to the Group's business to which the Group was a party and which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year and up to the date of this report, 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.

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 and associates (as defined under the GEM Listing Rules) is materially interested in any contract or arrangement or had any interest in the securities of the Company for the period from 26 January 2016 to 31 March 2018.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association 164(1) provides that every Director, Company Secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against any actions, cost, charges, losses, damages and expenses, as a result of any act done, concurred in or omitted in or about the execution of their duty. The Company has also maintained the Directors and officers liability insurance during the year.

AUDITOR

The consolidated financial statements have been audited by SHINEWING and a resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

By the order of Board
Tam Wing Ki
Chairman and Executive Director

25 June 2018

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF ON REAL INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of On Real International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 109, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVENTORIES

Refer to note 18 to the consolidated financial statements and the accounting policies on page 59.

The key audit matter	**How the matter was addressed in our audit**
The Group has carrying value of inventories amounted to approximately HK$46,405,000 as at 31 March 2018. Inventories are valued at the lower of cost or net realisable value. We have identified the valuation of inventories as a key audit matter since the allowance for inventories involved significant degree of judgements and estimates made by the management on the calculation of allowance for inventories	Our audit procedures were designed to challenge the adequacy of the Group's provisions against inventory. We corroborated on a sample basis that items on the inventory ageing listing were classified in the appropriate ageing bracket. We assessed the appropriateness of the provision made and challenge the assumptions made by the management on the extent to inventory can be sold. We considered the historical accuracy of provisions and used the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years. We reviewed management's identification of slow-moving or obsolete inventories, and critically assessed whether appropriate allowance had been established for slow-moving or obsolete items. When considering management's assessment on the valuation for inventories, we had also taken into account the most recent prices achieved on sales of different products and the level of inventories to be utilised after the year end.

RECOVERABILITY OF TRADE RECEIVABLES

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 60 to 62.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2018, the carrying amount of trade receivables was approximately HK$58,504,000. We have identified impairment on trade receivables as a key audit matter because of its significance to the consolidated financial statements and the policy for making such impairment involves significant degree of management judgment. The impairment assessment is dependent upon management judgment in respect of assessing the ultimate realisation of these receivables.	Our procedures were designed to review the management's assessment process and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing of receivables at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong
25 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**297,131**	327,637
Cost of sales		**(266,817)**	(279,133)
Gross profit		**30,314**	48,504
Other income	7	**8,060**	1,988
Other gains and losses	8	**2,350**	748
Selling and distribution expenses		**(3,940)**	(4,339)
Administrative expenses		**(32,639)**	(38,215)
Finance costs	9	**(927)**	(1,013)
Profit before tax		**3,218**	7,673
Income tax expense	10	**(2,333)**	(3,390)
Profit for the year	11	**885**	4,283
Profit for the year attributable to:			
Owners of the Company		**890**	4,283
Non-controlling interests		**(5)**	—
		885	4,283
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,448**	(2,683)
Total comprehensive income for the year		**2,333**	1,600
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,338**	—
Non-controlling interests		**(5)**	—
		2,333	1,600
Earnings per share (HK cents)	12		
Basic and diluted		**0.02**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**6,387**	7,098
Intangible assets	16	**5,020**	3,325
Financial asset at fair value through profit or loss	17	**14,132**	13,622
Prepayments	19	**954**	1,590
Deferred tax assets	24	**1,194**	1,434
		27,687	27,069
Current assets			
Inventories	18	**46,405**	50,942
Trade and other receivables	19	**94,394**	86,042
Amount due from a related company	20	**—**	383
Tax recoverable		**1,180**	—
Pledged bank deposits	21	**2,381**	2,160
Bank balances and cash	21	**29,734**	36,584
		174,094	176,111
Current liabilities			
Trade and other payables	22	**79,946**	83,586
Amount due to a related company	20	**387**	2,446
Borrowings	23	**36,551**	45,164
Bond payables	34	**839**	—
Income tax payables		**2,147**	340
		119,870	131,536
Net current assets		**54,224**	44,575
Total assets less current liabilities		**81,911**	71,644

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bond payables	34	**7,934**	—
Net assets		**73,977**	71,644
Capital and reserves			
Share capital	25	**4,800**	4,800
Reserves		**69,182**	66,844
Equity attributable to owners of the Company		**73,982**	71,644
Non-controlling interests		**(5)**	—
Total equity		**73,977**	71,644

The consolidated financial statements on pages 45 to 109 were approved and authorised for issue by the board of directors on 25 June 2018 and are signed on its behalf by:

Mr. Tam Wing Ki
Director

Mr. Kwok Ming Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	PRC statutory reserve HK$'000 *(Note)*	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016	4,800	75,468	(5,826)	3,971	3,986	(12,355)	70,044	–	70,044
Profit for the year	–	–	–	–	–	4,283	4,283	–	4,283
Other comprehensive expense for the year									
Exchange difference arising on translation of foreign operations	–	–	–	–	(2,683)	–	(2,683)	–	(2,683)
Total comprehensive income for the year	–	–	–	–	(2,683)	4,283	1,600	–	1,600
Appropriation to PRC statutory reserve	–	–	–	501	–	(501)	–	–	–
At 31 March 2017	4,800	75,468	(5,826)	4,472	1,303	(8,573)	71,644	–	71,644
Profit for the year	**–**	**–**	**–**	**–**	**–**	**890**	**890**	**(5)**	**885**
Other comprehensive income for the year									
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**1,448**	**–**	**1,448**	**–**	**1,448**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,448**	**890**	**2,338**	**(5)**	**2,333**
Appropriation to PRC statutory reserve	**–**	**–**	**–**	**718**	**–**	**(718)**	**–**	**–**	**–**
At 31 March 2018	**4,800**	**75,468**	**(5,826)**	**5,190**	**2,751**	**(8,401)**	**73,982**	**(5)**	**73,977**

Note: According to the People's Republic of China (the "PRC") Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**3,218**	7,673
Adjustments for:		
Bank interest income	**(66)**	(138)
Interest income from financial asset at fair value through profit or loss	**(370)**	(361)
Interest income charged to customers	**(13)**	(275)
Finance costs	**927**	1,013
Depreciation of property, plant and equipment	**3,534**	4,103
Amortisation of intangible assets	**2,774**	3,396
Gain on disposal of property, plant and equipment	**(1,559)**	(266)
Written off of property, plant and equipment	**—**	1,209
Administrative expenses for financial asset at fair value through profit or loss	**127**	132
Fair value (gains) losses on financial asset at fair value through profit or loss	**(267)**	1,120
Government grants	**(150)**	(354)
Gain on early repayment of bond payables	**(3,121)**	—
Allowance for inventories	**146**	899
Operating cash flows before movements in working capital	**5,180**	18,151
Decrease (increase) in inventories	**833**	(20,067)
Increase in trade and other receivables	**(10,244)**	(43,593)
Increase in trade and other payables	**502**	29,460
Cash used in operation	**(3,729)**	(16,049)
Hong Kong Profits Tax (paid) refunded	**(1,181)**	4,048
PRC income tax paid	**(430)**	(2,550)
NET CASH USED IN OPERATING ACTIVITIES	**(5,340)**	(14,551)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(4,154)**	(3,868)
Additions of intangible asset	**(4,466)**	—
Proceeds from disposal of property, plant and equipment	**3,172**	266
Repayment from a related company	**383**	—
Interest received	**79**	413
NET CASH USED IN INVESTING ACTIVITIES	**(4,986)**	(3,189)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(927)**	(1,013)
Proceeds from borrowings	**203,774**	245,060
Repayment of borrowings	**(212,387)**	(224,847)
Proceeds from bond payables	**113,654**	—
Early repayment of bond payables	**(101,760)**	—
Repayments of obligation under finance lease	**—**	(32)
(Repayment to) advance from a related company	**(1,920)**	1,844
Government grants received	**150**	354
NET CASH FROM FINANCING ACTIVITIES	**584**	21,366
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,742)**	3,626
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**36,584**	35,050
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	**2,892**	(2,092)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**29,734**	36,584

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

On Real International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 36, which are designing, trading and manufacturing of two-way radios, baby monitors, other communication devices and servicing business of the above products.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Hong Kong dollars as the directors of the Company consider that HK$ is appropriate presentation currency for the users of the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in Note 37. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 37, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

The application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 (2014) Financial Instruments (Continued)

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

Key requirements of HKFRS 9 (2014) are described as follows:

— All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

— In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 (2014) Financial Instruments (Continued)

— HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purpose.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 March 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs or at fair value through profit or loss. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods, provision of services and rental income. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 Leases (Continued)

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

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

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$631,000 (2017: HK$899,000) as disclosed in Note 30. 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 lease 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 changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments (key-man insurance), which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date under current market condition (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulate impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally-generated intangible assets — research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internally-generated intangible assets — research and development expenditure (Continued)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, amortisation for internally-generated intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group's financial assets include loans and receivables and financial asset at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income.

Financial asset at FVTPL

Financial asset at FVTPL includes those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- if forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial asset at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 17.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related company, pledged bank deposits and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0–90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a related company, borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in the asset an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in revaluation reserve is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of bank balances and cash as defined above.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts, sales returns and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

(ii) Servicing income

Servicing income including servicing business income is recognised when such services are rendered.

(iii) Repair and maintenance income

Repair and maintenance income is recognised when such services are rendered.

(iv) Rental income

Rental income is recognised in a straight-line basis over the term of the lease.

(v) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered services entitling them to the contribution.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated. As at 31 March 2018, the carrying values of property, plant and equipment was approximately HK$6,387,000 (2017: HK$7,098,000). No impairment loss was recognised during the years ended 31 March 2018 and 2017.

(b) Impairment of property, plant and equipment and intangible assets

The Group assesses annually whether property, plant and equipment and intangible assets have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment and intangible assets have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. As at 31 March 2018, the carrying values of property, plant and equipment was approximately HK$6,387,000 (2017: HK$7,098,000) and the carrying values intangible assets was approximately HK$5,020,000 (2017: HK$3,325,000). As at 31 March 2018 and 2017, no impairment loss of property, plant and equipment and intangible assets were recognised.

(c) Estimated allowance for inventories

The management of the Group reviews an ageing analysis of inventories at the end of each of the period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, the costs necessary to make the sale and current market conditions. As at 31 March 2018, the carrying amount of inventories was approximately HK$46,405,000 (2017: HK$50,942,000). As at 31 March 2018, the allowance for inventories were approximately HK$1,500,000 (2017: HK$1,354,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(d) Estimated impairment of trade and other receivables

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the estimation of future cash flows. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for doubtful debts in the year in which such estimation has changed. As at 31 March 2018, the carrying values of trade receivables were approximately HK$58,504,000 (2017: HK$55,448,000) while the carrying values of other receivables were approximately HK$36,844,000 (2017: HK$32,184,000). No impairment had been recognised.

(e) Income taxes

As at 31 March 2018, deferred tax asset of HK$1,220,000 (2017: HK$1,292,000) has been recognised in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset had been recognised in respect of remaining tax losses of approximately HK$11,744,000 (2017: HK$7,660,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

(f) Fair value of financial asset at fair value through profit or loss

The Group recognises the change in fair value of financial asset at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income. It obtains independent valuations at least annually. The fair value of financial asset at fair value through profit or loss is determined by using valuation technique. The calculation requires the use of estimates such as the discount rate and the future crediting rating. As at 31 March 2018, the carrying amount of financial asset at fair value through profit or loss was approximately HK$14,132,000 (2017: HK$13,622,000). Details of the judgement and assumptions have been disclosed in note 17.

5. REVENUE

Revenue represents revenue from sales of two-way radios, sales of baby monitors, servicing business and sales of other products, net of sales related tax where applicable. An analysis of the Group's revenue for the year is as follows:

	2018 HK$'000	2017 HK$'000
Revenue comprises:		
Two-way radios	**225,866**	268,581
Baby monitors	**29,356**	43,084
Other products	**34,815**	15,869
Servicing business	**7,094**	103
	297,131	327,637

6. SEGMENT INFORMATION

Information reported to the executive directors and senior management of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Operating segments are reported in a manner consistent with the internal reporting periods to the chief operating decision maker who is responsible to allocating resources and assessing performance of the operating segments. Information relating to segment assets and liability is not disclosed as such information is not regularly reported to the chief operating decision maker.

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

The executive directors and senior management have been identified as the chief operating decision makers. The executive directors and senior management 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, servicing business and other communication devices based on gross profit arising in the course of the ordinary activities of a recurring nature.

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2018

	Two-way radios HK$'000	**Baby monitors HK$'000**	**Servicing business HK$'000**	**Other products HK$'000**	**Total HK$'000**
Revenue	**225,866**	**29,356**	**7,094**	**34,815**	**297,131**
Segment profit	**26,640**	**2,882**	**380**	**1,240**	**31,142**
Unallocated operating income					**8,851**
Selling and distribution expenses					**(3,940)**
Administrative expenses					**(31,908)**
Finance costs					**(927)**
Profit before tax					**3,218**

For the year ended 31 March 2017

	Two-way radios HK$'000	Baby monitors HK$'000	Servicing business HK$'000	Other products HK$'000	Total HK$'000
Revenue	268,581	43,084	103	15,869	327,637
Segment profit	39,152	5,543	3	2,076	46,774
Unallocated operating income					2,470
Selling and distribution expenses					(4,339)
Administrative expenses					(36,219)
Finance costs					(1,013)
Profit before tax					7,673

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by or the loss from each segment without allocation of bank interest income, selling and distribution expenses, central administrative costs, directors' emoluments, certain other income and gains and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

(b) Other segment information

For the year ended 31 March 2018

	Two-way radios HK$'000	Baby monitors HK$'000	Servicing business HK$'000	Other products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit						
Addition to non-current assets *(Note (i))*	6,480	992	–	1,148	–	8,620
Amortisation of intangible assets	693	2,081	–	–	–	2,774
Depreciation of property, plant and equipment	2,191	904	–	439	–	3,534
Gain on disposal of property, plant and equipment	(1,528)	(19)	–	(12)	–	(1,559)
Allowance for inventories	146	–	–	–	–	146
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit						
Income tax expense	1,828	231	–	157	117	2,333
Bank interest income	–	–	–	–	(66)	(66)
Interest income from financial asset at fair value through profit or loss	–	–	–	–	(370)	(370)
Interest income charged to customers	–	–	–	–	(13)	(13)
Government grants	–	–	–	–	(150)	(150)
Gain on early repayment of bond payables	–	–	–	–	(3,121)	(3,121)
Finance costs	–	–	–	–	927	927

6. SEGMENT INFORMATION (CONTINUED)

(b) Other segment information (Continued)

For the year ended 31 March 2017

	Two-way radios HK$'000	Baby monitors HK$'000	Servicing business HK$'000	Other products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit						
Addition to non-current assets *(Note (i))*	3,398	298	–	172	–	3,868
Amortisation of intangible assets	849	2,547	–	–	–	3,396
Depreciation of property, plant and equipment	3,701	255	–	147	–	4,103
Gain on disposal of property, plant and equipment	(234)	(20)	–	(12)	–	(266)
Written off of property, plant and equipment	1,062	93	–	54	–	1,209
Allowance for inventories	434	306	–	159	–	899
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit						
Income tax expense	2,713	373	–	141	163	3,390
Bank interest income	–	–	–	–	(138)	(138)
Interest income from financial asset at fair value through profit or loss	–	–	–	–	(361)	(361)
Interest income charged to customers	–	–	–	–	(275)	(275)
Government grants	–	–	–	–	(354)	(354)
Finance costs	–	–	–	–	1,013	1,013

Note (i): Addition to non-current assets represents addition of property, plant and equipment and intangible assets.

6. SEGMENT INFORMATION (CONTINUED)

(c) Geographic segment

The Group operates in six (2017: six) principal geographical areas — the United States of America, Germany, Europe, Asia, the Netherlands and the United Kingdom.

All analysis of revenue by geographical location is set below:

	Revenue from external customers	
	2018 **HK$'000**	2017 HK$'000
The United States of America	**123,922**	130,764
Germany	**47,712**	54,921
Europe *(Note (i))*	**26,666**	31,502
Asia *(Note (ii))*	**44,394**	54,877
The Netherlands	**24,269**	27,472
The United Kingdom ("UK")	**14,608**	21,388
Others *(Note (iii))*	**15,560**	6,713
	297,131	327,637

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

Note (ii): Asia includes but is not limited to the PRC and Hong Kong.

Note (iii): Others include but is not limited to Brazil, Canada and Russia.

Revenue is allocated based on the shipping destination.

Non-current assets are located in the PRC and Hong Kong.

Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2018 **HK$'000**	2017 HK$'000
Customer A[1]	**112,908**	124,104

[1] Revenue from two-way radios segment.

7. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**66**	138
Interest income from financial asset at fair value through profit or loss	**370**	361
Interest income charged to customers	**13**	275
Government grants *(Note 1)*	**150**	354
Gain on disposals of property, plant and equipment	**1,559**	266
Gain on early repayment of bond payables *(Note 2)*	**3,121**	—
Service income	**—**	110
Rental income	**643**	322
Repair and maintenance income	**757**	—
Sales of scrap materials	**1,065**	—
Sundry income	**316**	162
	8,060	1,988

Note 1:

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

Note 2:

Gain on early repayment of bond payables recognised during the year, see Note 34 for details.

8. OTHER GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Exchange gains, net	**2,083**	1,868
Fair value gains (losses) on financial asset at fair value through profit or loss	**267**	(1,120)
	2,350	748

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on:		
— bank and other borrowings	**921**	999
— amount due to a related company	**6**	14
	927	1,013

10. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**2,093**	2,549
Deferred tax *(Note 24)*	**240**	841
	2,333	3,390

i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Company did not have any assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2018. For the year ended 31 March 2017, no tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to HK$19,138,000 (2017:HK$15,490,000).

ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

iii) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**3,218**	7,673
Tax at the applicable tax rate at 25% (2017: 25%)	**805**	1,918
Tax effect of expense not deductible for tax purposes	**712**	2,532
Tax effect of income not taxable for tax purpose	**(186)**	(706)
Utilisation of tax losses previously not recognised	**–**	(399)
Tax effect of deductible temporary differences not recognised	**173**	408
Tax effect of tax loss not recognised	**912**	–
Effect of different tax rates of subsidiaries operate in other jurisdictions	**(83)**	(363)
Income tax expense for the year	**2,333**	3,390

Details of the deferred taxation are set out in Note 24.

Note: The domestic tax rate (which is PRC EIT) in the jurisdiction where the operation of the Group is substantially based is used.

11. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments *(Note 13)*	**4,421**	4,501
Salaries and allowances (excluding directors' emoluments)	**29,178**	46,716
Retirement benefit scheme contributions (excluding directors)	**5,432**	8,324
Total staff costs	**39,031**	59,541
Auditor's remuneration	**750**	820
Depreciation of property, plant and equipment	**3,534**	4,103
Amortisation of intangible assets (included in cost of sales)	**2,774**	3,396
Allowance for inventories (included in cost of sales)	**146**	899
Cost of inventories recognised as an expense	**178,164**	157,981
Research and development costs recognised as an expense	**336**	1,398
Written off of property, plant and equipment	**–**	1,209
Minimum lease payments in respect of operating lease for office premises, staff quarters and factories	**4,211**	4,256

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 March 2018 and 2017.

	2018	2017
Profit for the year attributable to owners of the Company (HK$'000)	**890**	4,283
Weighted average number of ordinary shares in issue ('000)	**3,840,000**	3,840,000
Basic earnings per share (HK cents per share)	**0.02**	0.11

(b) Diluted

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 March 2018 and 2017.

With effective from 15 December 2016, each of the existing issued and non issued ordinary share of par value of HK$0.01 each in the share capital of the Company was subdivided into eight subdivided ordinary shares of HK$0.00125 each. The calculation of basic and diluted earnings per share for the year ended 31 March 2017 have been adjusted as a result of the share subdivision.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2017: 9) directors and the chief executive were as follows:

	Year ended 31 March 2018				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings:					
Executive directors:					
Mr. Tam Wing Ki					
(Chief Executive Officer and Chairman)	–	1,980	165	18	2,163
Mr. Tao Hong Ming					
(resigned on 1 September 2017)	–	650	130	8	788
Mr. Kwok Ming Fai	–	360	–	18	378
Mr. Fu Yan Ming	–	360	–	18	378
Mr. Gao Hong					
(appointed on 7 April 2017)	–	354	–	–	354
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:					
Independent non-executive directors:					
Mr. Cheng Yuk Kin					
(resigned on 31 July 2017)	40	–	–	–	40
Mr. Chan Shiu Man	120	–	–	–	120
Mr. Wong Ching Wan	120	–	–	–	120
Mr. Fung Chan Man, Alex					
(appointed on 31 July 2017)	80	–	–	–	80
	360	3,704	295	62	4,421

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

	Year ended 31 March 2017				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings:					
Executive directors:					
Mr. Tam Wing Ki *(Chief Executive Officer and Chairman)*	–	1,980	–	18	1,998
Mr. Tao Hong Ming	–	1,560	–	18	1,578
Mr. Kwok Ming Fai *(appointed on 10 August 2016)*	–	232	–	11	243
Mr. Fu Yan Ming *(appointed on 30 October 2016)*	–	178	–	9	187
Non-executive director:					
Mr. Chau Wai Hung, Andy *(resigned on 28 February 2017)*	–	110	–	–	110
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:					
Independent non-executive directors:					
Mr. Cheng Yuk Kin	120	–	–	–	120
Mr. Fan Chun Wah Andrew *(resigned on 31 August 2016)*	75	–	–	–	75
Mr. Chan Shiu Man *(appointed on 31 August 2016)*	70	–	–	–	70
Mr. Wong Ching Wan	120	–	–	–	120
	385	4,060	–	56	4,501

Notes:

(i) Mr. Tam Wing Ki is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

(ii) None of the directors waived or agreed to waive any emoluments during the years ended 31 March 2018 and 2017.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company for the year ended 31 March 2018. The emoluments of the directors are included in the disclosures in Note 13(a) above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other allowances	**1,312**	1,740
Retirement benefit scheme contributions	**35**	54
	1,347	1,794

Their emoluments were within the following bands:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	**3**	3

During the years ended 31 March 2018 and 2017, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

14. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2016	3,236	32	2,177	52,328	1,879	59,652
Additions	148	—	71	3,649	—	3,868
Disposal	—	—	—	(1,403)	—	(1,403)
Written off	—	—	(7)	(1,543)	—	(1,550)
Exchange realignment	(164)	(2)	(131)	(2,721)	(57)	(3,075)
At 31 March 2017	3,220	30	2,110	50,310	1,822	57,492
Additions	52	—	134	3,361	607	4,154
Disposal	(529)	—	(7)	(10,111)	(471)	(11,118)
Exchange realignment	285	3	219	4,365	56	4,928
At 31 March 2018	**3,028**	**33**	**2,456**	**47,925**	**2,014**	**55,456**
ACCUMULATED DEPRECIATION						
At 1 April 2016	1,996	19	1,647	45,751	1,247	50,660
Provided for the year	352	6	211	3,362	172	4,103
Eliminated on disposal	—	—	—	(1,403)	—	(1,403)
Eliminated on written off	—	—	(4)	(337)	—	(341)
Exchange realignment	(119)	(1)	(105)	(2,352)	(48)	(2,625)
At 31 March 2017	2,229	24	1,749	45,021	1,371	50,394
Provided for the year	318	5	198	2,690	323	3,534
Eliminated on disposal	(310)	—	(4)	(8,764)	(427)	(9,505)
Exchange realignment	230	3	200	4,162	51	4,646
At 31 March 2018	**2,467**	**32**	**2,143**	**43,109**	**1,318**	**49,069**
CARRYING VALUES						
At 31 March 2018	**561**	**1**	**313**	**4,816**	**696**	**6,387**
At 31 March 2017	991	6	361	5,289	451	7,098

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of term of the lease or 5 years
Furniture and fixtures	20%
Office equipment	20%
Plant and machinery	20% to 33%
Motor vehicles	20%

16. INTANGIBLE ASSETS

	Product development costs HK$'000
COST	
At 1 April 2016	10,240
Exchange realignment	(81)
At 31 March 2017	10,159
Addition	4,466
Exchange realignment	133
At 31 March 2018	14,758
ACCUMULATED AMORTISATION	
At 1 April 2016	3,482
Provided for the year	3,396
Exchange realignment	(44)
At 31 March 2017	6,834
Provided for the year	2,774
Exchange realignment	130
At 31 March 2018	**9,738**
CARRYING VALUES	
At 31 March 2018	**5,020**
At 31 March 2017	3,325

Development costs are internally generated.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over three years.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Key-man insurance, at fair value	**14,132**	13,622

The financial asset at fair value through profit or loss represents key-man insurance purchased for a director of the Company, which is denominated in United States dollars ("USD"). The premium of the insurance is approximately HK$7,740,000. The sum insured is approximately HK$41,693,000.

The valuation of key-man insurance is determined and provided by International Valuation Limited, an independent valuer, using the discounted cash flow approach. The discounted cash flow approach focuses on the economic benefits generated by the income producing capability of an asset. The underlying theory of this approach is that the value of an asset can be measured by the present worth of the economic benefits to be received over its economic life. This approach needs to estimate the future cash flows and then discounts these cash flows to its present value using a discount rate appropriate for the risks associated with realising those cash flows.

Management has assessed the credit quality of the financial institution and considered the credit risk to be not significant.

The financial asset at fair value through profit or loss is pledged as security for the banking facilities of the Group as at 31 March 2018 and 31 March 2017 (Notes 23 and 31).

An independent valuation of the Group's financial asset at fair value through profit or loss was performed by the independent valuer, International Valuation Limited, to determine the fair value of the key-man insurance as at 31 March 2018 and 2017. These valuation results are then reported to the chief financial officer and senior management of the Group for discussions in relation to the valuation processes and the reasonableness of valuation results. The fair value gains or losses is included in "other gains and losses" in consolidated statement of profit or loss and other comprehensive income (Note 8).

The valuation was determined using discounted cash flow projections based on unobservable inputs. These inputs include:

Future cash inflows:	Based on the interest income derived from the first premium paid under the insurance policy, interest credited into the account and the expected death benefit based on mortality
Future cash outflows:	Based on policy expense charge, policy premium charge and cost of insurance
Discount rates:	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
Mortality rate:	Based on 2011 Hong Kong life table for males
Future crediting rate:	Based on the current rate of interest credit to the insurance policy

There were no changes to the valuation techniques during the years ended 31 March 2018 and 2017.

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The valuation technique and inputs used in the fair value measurements of the financial instruments on a recurring basis is set out below:

Description	Fair value hierarchy	Significant unobservable inputs	Significant unobservable inputs as at 31 March 2018	Significant unobservable inputs as at 31 March 2017	Relationship of significant unobservable inputs to fair value
Financial asset at fair value through profit or loss	Level 3	Discount rate	**3.96%**	3.01%	The higher the discount rate, the lower the fair value
		Future crediting rate	**4.40%**	4.40%	The higher the future crediting rate, the higher the fair value

There was no transfer of fair value hierarchy during the reporting period.

The sensitivity of the financial asset at fair value through profit or loss to changes in the weighted principal assumption is:

	Impact on financial asset at fair value through profit or loss		
Year ended 31 March 2018	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.1%**	**Decrease by HK$304,000**	**Increase by HK$314,000**
Future crediting rate	**0.1%**	**Increase by HK$492,000**	**Decrease by HK$440,000**

	Impact on financial asset at fair value through profit or loss		
Year ended 31 March 2017	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.1%	Decrease by HK$240,000	Increase by HK$255,000
Future crediting rate	0.1%	Increase by HK$859,000	Decrease by HK$735,000

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the financial asset at fair value through profit or loss to significant actuarial assumptions, the same method (present value of the financial asset at fair value through profit or loss calculated with discounted cash flow approach at the end of the reporting period) has been applied.

Reconciliation of Level 3 fair value measurements of financial asset on recurring basis:

	Financial asset at fair value through profit or loss HK$'000
At 1 April 2016	14,513
Total losses recognised in profit or loss	(891)
At 31 March 2017	13,622
Total gains recognised in profit or loss	510
At 31 March 2018	**14,132**

Included in the above total gains (2017: losses) for the year ended 31 March 2018 recognised in profit or loss are interest income of approximately HK$370,000 (2017: HK$361,000) that are included in other income, administrative expenses charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$127,000 (2017: HK$132,000) that are included in administrative expenses and changes in fair value of approximately HK$267,000 (2017: HK$1,120,000) that are attributable to the changes in unrealised gains (losses) relating to financial asset held at the end of the reporting period and are included in other gains and losses.

18. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**27,925**	20,328
Work in progress	**12,448**	21,701
Finished goods	**6,032**	8,913
	46,405	50,942

19. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**58,504**	55,448
Prepayments	**8,597**	11,208
Value-added tax receivables	**26,505**	19,078
Deposits *(Note)*	**1,339**	1,365
Other receivables	**403**	533
	36,844	32,184
Total trade and other receivables	**95,348**	87,632
Less: Non-current portion-deposits	**(954)**	(1,590)
Current portion	**94,394**	86,042

The Group does not hold any collateral over these balances.

Note: Included in the balance of deposits, are of approximately HK$954,000 (2017: HK$1,590,000) rental deposits as at 31 March 2018 and are shown as non-current assets.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group normally grants credit terms to its customers ranging from 0 to 90 days. At 31 March 2018 and 2017, the ageing analysis of the trade receivables based on invoice date which approximates the respective revenue recognition dates were as follows:

	2018 **HK$'000**	2017 HK$'000
1 to 30 days	**27,407**	23,488
31 to 60 days	**12,180**	8,262
61 to 90 days	**13,254**	18,967
91 to 180 days	**3,407**	4,656
Over 180 days	**2,256**	75
	58,504	55,448

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. 72% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

As of 31 March 2018, trade receivables of approximately HK$16,514,000 (2017: HK$12,035,000) were past due but not impaired. These relate to a number of independent customers, of which approximately HK$6,239,000 (2017: HK$3,816,000) were due from the top five customers for the year ended 31 March 2018, for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	2018 **HK$'000**	2017 HK$'000
1 to 30 days	**5,616**	10,340
31 to 60 days	**8,076**	1,276
61 to 90 days	**945**	241
91 to 180 days	**710**	125
Over 180 days	**1,167**	53
	16,514	12,035

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2018 HK$'000	2017 HK$'000
USD	**58,729**	51,338

At 31 March 2018, the carrying amount of the short-term receivables which have been pledged as security for the borrowing, is HK$27,556,000 (2017: HK$32,639,000). The carrying amount of the associated liability is approximately HK$20,879,000 (2017: HK$25,861,000). Details are shown in Notes 23 and 31.

20. AMOUNT DUE FROM (TO) A RELATED COMPANY

(a) Amount due from a related company

Name of company	*Note*	2018 HK$'000	2017 HK$'000
Xinxing On Time Electronics Limited	(i)	**–**	383

The amount are unsecured, interest-free and repayable on demand.

(b) Amount due to a related company

Name of company	*Note*	2018 HK$'000	2017 HK$'000
Xinxing On Time Electronics Limited	(i)	**387**	2,446

The amount is unsecured, interest free and repayable on demand.

As at 31 March 2017, the amount included approximately HK$1,352,000 (equivalent to approximately RMB1,200,000) (2018: nil), which is unsecured, carries interest at 5% per annum and repayable on 24 April 2017.

Note:

(i) Mr. Tam Wing Ki, the director and chairman of the Company, has direct interest in the relevant party.

21. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances represented short-term deposits with a maturity of three months or less. At 31 March 2018, bank balances carried at prevailing market rates range from 0.001% to 0.35% per annum (2017: 0.001% to 0.35% per annum). At 31 March 2018, the pledged bank deposits carry fixed interest rate range from 1.65% to 2.5% per annum (2017: 1.65% to 2.5% per annum). The pledged bank deposits will be released upon the settlement of relevant bank borrowing and facilities.

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group and have been pledged to secure short-term bank borrowing and undrawn facilities and are therefore classified as current assets.

Included in the pledged bank deposits and bank balances and cash are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	2018 **HK$'000**	2017 HK$'000
USD	**4,908**	12,573
Renminbi ("RMB")	**2,595**	1,089
Euro ("EUR")	**9**	9

22. TRADE AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**58,918**	64,688
Other payables and accruals		
Accrued expenses	**12,783**	13,795
Other payables	**3,649**	1,027
Receipt in advance *(Note)*	**4,596**	4,076
	21,028	18,898
Trade and other payables	**79,946**	83,586

Note: Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.

22. TRADE AND OTHER PAYABLES (CONTINUED)

The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
Within 30 days	**14,157**	18,169
31 to 60 days	**16,750**	19,853
61 to 90 days	**17,923**	18,304
More than 90 days	**10,088**	8,362
Total	**58,918**	64,688

The credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2018 HK$'000	2017 HK$'000
RMB	**2,380**	159
USD	**13,341**	8,207

23. BORROWINGS

	2018 HK$'000	2017 HK$'000 (Restated)
Secured bank borrowing	**–**	2,214
Secured other borrowing	**36,551**	42,950
Total borrowing	**36,551**	45,164

23. BORROWINGS (CONTINUED)

Carrying amount repayable (based on scheduled repayment dates set out in loan agreements):

	2018 HK$'000	2017 HK$'000
Within one year	**36,551**	43,555
Carrying amount of borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	1,609
Amount shown under current liabilities	**36,551**	45,164

(a) Secured bank and other borrowings of the Group as at 31 March 2018 and 2017 were secured by the Group's financial asset at fair value through profit or loss, trade receivables, a corporate guarantee from the Company and pledged bank deposits. Details are shown in Note 31.

(b) The weighted average effective interest rates (per annum) at the end of the respective reporting periods are as follows:

	2018 HK$'000	2017 HK$'000
Variable-rate borrowings effective interest rate	**0.45% to 3.4%**	0.45% to 4.15%

(c) The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2018 HK$'000	2017 HK$'000
Other borrowing		
— USD	**36,551**	45,164

(d) The Group has the following undrawn borrowing facilities:

	2018 HK$'000	2017 HK$'000
Variable-rate borrowings	**22,466**	183,460

24. DEFERRED TAXATION

The movement in deferred tax assets during the year are as follows:

	Decelerated/ (accelerated) tax depreciation	Provisions	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016	(70)	495	1,850	2,275
Credited (Charged) to profit or loss	27	(310)	(558)	(841)
At 31 March 2017 and 1 April 2017	(43)	185	1,292	1,434
Credited (Charged) to profit or loss	62	(230)	(72)	(240)
At 31 March 2018	**19**	**(45)**	**1,220**	**1,194**

At 31 March 2018, the Group has unused tax losses of approximately HK$19,138,000 (2017: HK$15,490,000). Included in unrecognised tax losses are loss of the Group of approximately HK$3,648,000 for the year ended 31 March 2018 (2017: nil) which will be expired in 2023. As at 31 March 2018, a deferred tax asset has been recognised in respect of approximately HK$7,394,000 (2017: HK$7,830,000) of such losses. No deferred tax asset had been recognised in respect of remaining tax losses of approximately HK$11,744,000 (2017: HK$7,660,000) due to the unpredictability of future profit streams.

As at 31 March 2018, the Group has deductible temporary difference of approximately HK$3,520,000 (2017: HK$2,473,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. SHARE CAPITAL

	Number of shares		Share capital	
	2018	2017	**2018**	2017
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.00125 each (2017: HK$0.00125 each)				
Authorised				
At the beginning of the financial year	**3,840,000**	780,000	**7,800**	7,800
Increase on 15 December 2016 *(Note (i))*	**—**	3,060,000	**—**	—
At the end of the financial year	**3,840,000**	3,840,000	**7,800**	7,800
Issued and fully paid				
At the beginning of the financial year	**3,840,000**	480,000	**4,800**	4,800
Effect of share subdivision *(Note (i))*	**—**	3,360,000	**—**	—
At the end of the financial year	**3,840,000**	3,840,000	**4,800**	4,800

Note:

(i) With effective from 15 December 2016, each of the existing issued and non issued ordinary share of par value of HK$0.01 each in the share capital of the Company was subdivided into eight subdivided ordinary shares of HK$0.00125 each. The calculation of the basic and diluted earnings per share for the year ended 31 March 2017 have been adjusted as a result of the share subdivision.

All the ordinary shares issued during the year ended 31 March 2018 and 2017 rank pari passu with the then existing shares in all respects.

26. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK$5,494,000 for the year ended 31 March 2018 (2017: HK$8,380,000).

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts which include bank and other borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debts and new share issues.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Financial asset at FVTPL	**14,132**	13,622
Loans and receivables (including bank balances and cash)	**92,361**	96,473
	106,493	110,095
Financial liabilities		
Financial liabilities at amortised cost	**121,061**	127,120

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial asset at FVTPL, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due from (to) a related company, borrowings and bond payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly HK$-denominated assets. In addition, the Group has certain assets denominated in RMB, USD and EUR. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of HK$ against RMB/EUR.

The HK$ is pegged to USD and thus foreign currency exposure is considerate as minimal and is not hedged.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		**Liabilities**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
RMB	**2,595**	1,089	**2,380**	159
USD	**77,769**	77,533	**49,892**	53,371
EUR	**9**	9	**—**	—

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit/a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit/loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 March 2018 and 2017.

	RMB	
	2018	2017
	HK$'000	HK$'000
RMB	**(8)**	(39)

The result of sensitivity analysis on RMB is mainly attributable to the exposure on outstanding bank balances and cash and other payables denominated in RMB at the end of the reporting period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits, bank balances (Note 21), amounts due to a related company and bond payables. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 23 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market rates on bank balances and variable-rate borrowings.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would increase/decrease by approximately HK$183,000 (2017: decrease/increase in profit for the year HK$226,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables. In addition, the Group reviews the recoverability of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk as 50% (2017: 56%) and 77% (2017: 70%) of the total receivables was due from the Group's largest customer and five largest customers respectively.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	At 31 March 2018					
	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	75,350	–	–	–	75,350	75,350
Borrowings	36,649	–	–	–	36,649	36,551
Bond payables	1,498	1,498	4,494	4,494	11,984	8,773
Amount due to a related company	387	–	–	–	387	387
	113,884	1,498	4,494	4,494	124,370	121,061

	At 31 March 2017					
	Within one year or on demand HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	More than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	79,510	–	–	–	79,510	79,510
Borrowings	46,912	–	–	–	46,912	45,164
Amount due to a related company	2,446	–	–	–	2,446	2,446
	128,868	–	–	–	128,868	127,120

Borrowings with a repayment on demand clause are included in the "within one year or on demand" time band in the above maturity analysis. As at 31 March 2018 and 2017, the aggregate undiscounted principal amounts of these borrowings amounted to approximately HK$36,551,000 and HK$45,164,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$36,649,000 (2017: HK$46,912,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost approximate their fair values.

30. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises, offices and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**455**	679
In the second to fifth year inclusive	**176**	220
	631	899

31. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities were secured by:

(i) certain of the Group's trade receivables with an aggregate amount of approximately HK$27,556,000 (2017: HK$32,639,000);

(ii) pledged bank deposits with an aggregate amount of approximately HK$2,381,000 (2017: HK$2,160,000);

(iii) pledge of key-man insurance with an aggregate amount of approximately HK$14,132,000 (2017: HK$13,622,000); and

(iv) a corporate guarantee from the Company with an aggregate amount of approximately HK$65,000,000 (2017: HK$65,000,000).

32. CAPITAL COMMITMENT

	2018 HK$'000	2017 HK$'000
Contracted but not provided for		
— Property, plant and equipment	**1,223**	674
— Intangible assets	**—**	1,703

33. RELATED PARTY TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 March 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**6,123**	6,245
Post-employment benefits	**214**	119
	6,337	6,364

The remuneration of the directors and key management personnel is determined by the board of directors regarding to the performance of individuals and market trends.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

Name of company	Nature of transactions	*Note*	**2018 HK$'000**	2017 HK$'000
Xinxing On Time Electronics Limited	Rental expenses charged	(i)	**1,672**	1,465
	Interest expenses paid		**14**	14

Note:

(i) Mr. Tam Wing Ki, the director and chairman of the Company, has direct interest in the relevant party.

34. BOND PAYABLES

	Par value HK$'000	**Issuance date**	**Maturity**	**Amortised cost** HK$'000
Bond payables	10,700	12 March 2018	8+N years	8,773

Bonds with total amount of approximately HK$137,900,000 at par value were issued during the year. The net amount of the bonds after deducting issuance fee of approximately HK$24,246,000 was HK$113,654,000. The bonds bear interest at a rate of 14% per annum for the first eight years and are paid annually after 1 year of issuance date. From the ninth year, the interest rate is changed to 0.001% per annum. The effective interest rate ranged from 6.57% to 7.50%. The bonds have no fixed expiry date and may be redeemed by the Group after eight years from issuance date at HK$1. The interest payments are deferred at the Group's discretion, if the Group does not (a) pay dividend to the shareholders of the Company within 6 months prior to the scheduled interest payment date or (b) cancel or reduce their share capitals within 6 months period prior to the scheduled interest payment date. As a result of the holder's protection clause, the Group is required to repay the remaining interest in the first eight years if the majority of assets of any of the Company or major subsidiaries were held in custody for more than 10 days or there is a similar event. Therefore, the bonds are treated as liabilities.

34. BOND PAYABLES (CONTINUED)

During the year, the Group has early repaid certain bonds at a discounted interest rate of 10% per annum for the first 8 years, totally 80% of the principal amount, amounting to approximately HK$101,760,000 of bond with a total par value of HK$127,200,000. The effective interest rate of those early repaid bonds ranged from 6.57% to 7.5%. The net amount of the early repaid bonds after deducting issuance fee was approximately HK$104,881,000. The early repayment of the bond payables for the first eight years incurred a gain on early repayment of approximately HK$3,121,000.

Issuance fee comprised brokerage fee and consultancy fee paid to the broker and two consultants of approximately HK$4,506,000, HK$9,284,000 and HK$10,456,000 respectively. Both the broker and the consultants are independent third parties of the Group.

During the year, the movement of the bonds is as follow:

	2018 **HK$'000**	2017 HK$'000
Principal	**137,900**	–
Issuance fee	**(24,246)**	–
Net amount	**113,654**	–
Early repayment	**(101,760)**	–
Gain on early repayment *(Note 7)*	**(3,121)**	–
Carrying amount	**8,773**	–

34. BOND PAYABLES (CONTINUED)

Carrying amount repayable (based on scheduled repayment dates set out in the bond agreement):

	2018 HK$'000	2017 HK$'000
Unsecured bond payables	8,773	—
Within one year	839	—
After one year but within two years	903	—
After two years but within five years	3,136	—
After five years	3,895	—
	8,773	—
Amount shown under current liabilities	839	—
Amount shown under non-current liabilities	7,934	—
	8,773	—

A bond with amount of approximately HK$10,700,000 at par value was not early repaid during the year ended 31 March 2018. The net amount of the bond after deducting issuance fee of HK$1,927,000 was HK$8,773,000. The bond bears interest at a rate of 14% per annum for the first eight years and are paid annually from 11 March 2019. From the ninth year, the interest rate is changed to 0.001% per annum. The effective interest rate was 7.50%. The bond has no fixed expiry date and may be redeemed by the Group on or after 21 March 2026 at HK$1.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2018 HK$'000	2017 HK$'000
Non-current asset			
Investment in a subsidiary		**22,126**	22,126
Current assets			
Prepayments		**176**	165
Amounts due from subsidiaries	(a)	**5,375**	4,570
Bank balances and cash		**13,239**	5,885
		18,790	10,620
Current liabilities			
Trade payables		**265**	—
Other payables and accruals		**1,399**	1,384
Amounts due to subsidiaries	(b)	**2,271**	—
Bond payables		**839**	—
		4,774	1,384
Net current assets		**14,016**	9,236
Total assets less current liabilities		**36,142**	31,362
Non-current liabilities			
Bond payables		**7,934**	—
Net assets		**28,208**	31,362
Capital and reserves			
Share capital		**4,800**	4,800
Reserves	(c)	**23,408**	26,562
Total equity		**28,208**	31,362

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand. For the year ended 31 March 2017, impairment of approximately HK$45,401,000 (2018: nil) has been recognised in respect of the amounts due from subsidiaries.

(b) The amounts due to subsidiaries are non-trade, unsecured, non-interest bearing and repayable on demand.

(c) **Reserves**

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	75,468	(3,406)	72,062
Loss for the year and total comprehensive expense for the year	—	(45,500)	(45,500)
At 31 March 2017	75,468	(48,906)	26,562
Loss for the year and total comprehensive expense for the year	—	(3,154)	(3,154)
At 31 March 2018	**75,468**	**(52,060)**	**23,408**

36. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries at 31 March.

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
On Real (BVI) Limited	BVI/BVI	Ordinary shares USD2	**100%**	100%	**–**	–	Investment holding
On Real Limited	Hong Kong/PRC	Ordinary shares HK$2,000,000	**–**	–	**100%**	100%	Trading of two-way radios and servicing business
On Real Electronics (Shenzhen) Limited*	PRC/PRC	Paid up capital HK$5,000,000	**–**	–	**100%**	100%	Design and manufacture of two-way radios and baby monitors
Onward Technology Development Limited	Hong Kong/PRC	Ordinary shares HK$10,000	**–**	–	**100%**	100%	Trading of plastic covers to On Real Limited and its subsidiaries
Starian Caring Limited	Hong Kong/PRC	Ordinary shares HK$10,000	**–**	–	**100%**	100%	Trading of baby monitors
Xinxing Great Success Plastic Limited*	PRC/PRC	Paid up capital HK$8,000,000	**–**	–	**100%**	100%	Design and manufacture of two-way radios and baby monitors
Shenzhen On Real Innovate Electronics Technology Limited*	PRC/PRC	Paid up capital HK$1,000,000	**–**	–	**100%**	100%	Technology development
On Real I.O.T Group Limited *(Note)*	Hong Kong/PRC	Paid up capital HK$100	**–**	–	**51%**	–	Technology development

All companies now comprising the Group, except for On Real Electronics (Shenzhen) Limited*, Xinxing Great Success Plastic Limited* and Shenzhen On Real Innovate Electronics Technology Limited* which have adopted 31 December as the financial year end date, have adopted 31 March as the financial year end date.

None of the subsidiaries had any debt securities issued subsisting at the end of both years and any time during both years.

Note: On Real I.O.T Group Limited is a new incorporated subsidiary of the Group during the year.

* *For identification only*

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 April 2017	Financing cash flows	Foreign exchange movements	Gain on early repayment of bond payables	31 March 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Borrowings	45,164	(8,613)	—	—	36,551
Bond payables	—	11,894	—	(3,121)	8,773
Amounts due to a related company	2,446	(1,920)	(139)	—	387
	47,610	1,361	(139)	(3,121)	45,711

38. EVENTS AFTER THE REPORTING PERIOD

As of the approval date on these financial statements, the Group had no significant events after reporting period which need to be disclosed.

FINANCIAL SUMMARY

The results, assets and liabilities of the Group for each of the last four financial years are as follows:

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**297,131**	327,637	261,844	346,191	358,129
Profit/(loss) before income tax	**3,218**	7,673	(16,462)	14,918	31,355
Income tax (expense)/credit	**(2,333)**	(3,390)	1,612	(4,382)	(6,474)
Profit/(loss) for the year	**885**	4,283	(14,850)	10,536	24,881
Attributable to:					
Owners of the Company	**890**	4,283	(14,850)	10,536	24,722
Non-controlling interest	**(5)**	—	—	—	159
	885	4,283	(14,850)	10,536	24,881

ASSETS, EQUITY AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets	**27,687**	27,069	35,402	35,564	52,947
Current assets	**174,094**	176,111	117,504	115,314	129,840
Total assets	**201,781**	203,180	152,906	150,878	182,787
EQUITY AND LIABILITIES					
Total equity	**73,977**	71,644	70,444	26,260	47,994
Non-current liabilities	**7,934**	—	—	32	434
Current liabilities	**119,870**	131,536	82,862	124,586	134,359
Total liabilities	**127,804**	131,536	82,862	124,618	134,793
Total equity and liabilities	**201,781**	203,180	152,906	150,878	182,787